

Congressional Record.

PROCEEDINGS AND DEBATES OF THE SIXTY-SEVENTH CONGRESS FOURTH SESSION.

SENATE.

FRIDAY, February 23, 1923.

(Legislative day of Monday, February 19, 1923.)

The Senate met at 11 o'clock a. m., on the expiration of the recess.

EXECUTIVE SESSION.

The PRESIDENT pro tempore. Under the order previously entered, the Sergeant at Arms will clear the galleries and close the doors for the consideration of executive business.

The Senate thereupon proceeded to the consideration of executive business. After 20 minutes spent in executive session, the doors were reopened.

UNANIMOUS-CONSENT AGREEMENT.

While the doors were closed the following agreement was entered into:

It is agreed by unanimous consent that at 6 o'clock p. m. to-day, the Senate adjourn until 11 o'clock a. m. to-morrow, and that immediately after the conclusion of the morning business the calendar, under Rule VIII, be called until 1 o'clock p. m. for the consideration of unobjected bills, beginning with Order of Business No. 1057, and that the motion to proceed to the consideration of the shipping bill (H. R. 12817) be considered as pending at the hour of 1 o'clock p. m. on to-morrow.

ENROLLED BILLS SIGNED.

The PRESIDENT pro tempore announced his signature to the following enrolled bills, which had previously been signed by the Speaker of the House of Representatives:

- S. 462. An act for the relief of Max B. Baldenburg;
- S. 851. An act authorizing the Secretary of War to make settlement with the lessees who erected buildings on a five-year lease on the zone at Camp Funston, Kans., and for other purposes;
- S. 1829. An act for the relief of Walter Runke;
- S. 2563. An act to provide for the completion of the bridge across the Little Colorado River near Leupp, Ariz.;
- S. 3350. An act for the relief of Alice M. Gorman;
- S. 3611. An act authorizing and directing the Secretary of War to abrogate a contract lease of water power on the Muskingum River;
- S. 3614. An act relating to the official bond of the United States marshal for the southern judicial district of the State of New York;
- S. 3690. An act for the relief of Lowe Hayden Bibby;
- S. 4061. An act authorizing the Secretary of the Interior to enter into an agreement with Toole County irrigation district of Shelby, Mont., and the Cut Bank Irrigation district of Cut Bank, Mont., for the settlement of the extent of the priority to the waters of Two Medicine, Cut Bank, and Badger Creeks of the Indians of the Blackfeet Indian Reservation;
- S. 4113. An act for the relief of Helene M. Layton;
- S. 4187. An act to extend the time for payment of charges due on reclamation projects, and for other purposes;
- S. 4310. An act for the relief of the owners of the steamship *Mohican*;
- S. 4311. An act for the relief of the owners of the steam lighter *Comport*;
- S. 4333. An act for the relief of Howard R. Gurney;
- S. 4358. An act to authorize the American Niagara Railroad Corporation to build a bridge across the Niagara River between the State of New York and the Dominion of Canada;
- S. 4411. An act granting the consent of Congress to the cities of Minneapolis and St. Paul, Minn., or either of them, to construct a bridge across the Mississippi River in section 17, township 28 north, range 23 west of the fourth principal meridian, in the State of Minnesota;
- S. 4468. An act to authorize the coinage of 50-cent pieces in commemoration of the three hundredth anniversary of the settling of New Netherland, the Middle States, in 1624, by Walloons, French and Belgian Huguenots, under the Dutch West India Co.; and

S. 4522. An act authorizing the Secretary of State to convey certain land owned by the United States in Santiago, Chile, to the municipality of that city, and to acquire or receive in exchange therefor other land located in the said city.

PETITIONS AND MEMORIALS.

Mr. WARREN presented the following joint memorial of the Legislature of Wyoming, which was referred to the Committee on Banking and Currency:

THE STATE OF WYOMING,
Office of the Secretary of State.

UNITED STATES OF AMERICA,
State of Wyoming, ss:

I, F. E. Lucas, secretary of state of the State of Wyoming, do hereby certify that the annexed copy of Enrolled Joint Memorial No. 1, House of Representatives of the Seventeenth Legislature of the State of Wyoming, being original House Joint Memorial No. 5, has been carefully compared with the original filed in this office, and is a full, true, and correct transcript of the same and of the whole thereof.

In testimony whereof I have hereunto set my hand and affixed the great seal of the State of Wyoming. Done at Cheyenne, the capital, this 20th day of February, A. D. 1923.

[SEAL.]

F. E. LUCAS,
Secretary of State.
By H. M. SYMONS, Deputy.

Enrolled Joint Memorial No. 1, House of Representatives, Seventeenth Legislature of the State of Wyoming, memorializing Congress to hasten the enactment of the rural credits act and amend the farmer loan act.

Be it resolved by the House of Representatives of the State of Wyoming (the Senate concurring), That the Congress of the United States be memorialized as follows:

"Whereas there is a request from farmers and stockmen of Wyoming for a more adequate system of short-time credits and an increase of the Federal farm-loan limit among the farmers and stockmen of Wyoming; and

"Whereas such adequate short-time credits and an increased loan limit of the Federal farm loan act would be of immense value to the farmers and stockmen of Wyoming: Therefore be it

"Resolved, That the Congress of the United States is hereby urged to secure the passage of laws providing adequate rural credits by providing short-term credits and by increasing the loan limit of the Federal farm loan act from \$10,000 to \$25,000.

"Resolved, That a certified copy of this joint memorial be forwarded at once to our United States Senators, FRANCIS E. WARREN and JOHN B. KENDRICK, and our Representative in Congress, FRANK W. MONDELL."

J. D. NOBILITE,
Speaker of the House of Representatives.
S. SKOVGARD,
President of the Senate.

Approved 3.30 p. m., February 12, 1923.

WILLIAM B. ROSS, Governor.

Mr. WARREN presented the following joint memorials of the Legislature of Wyoming, which were referred to the Committee on Irrigation and Reclamation:

THE STATE OF WYOMING,
OFFICE OF THE SECRETARY OF STATE.

UNITED STATES OF AMERICA, State of Wyoming, ss:

I, F. E. Lucas, secretary of state of the State of Wyoming, do hereby certify that the annexed copy of enrolled senate joint memorial No. 2, of the Seventeenth Legislature of the State of Wyoming, being original senate joint memorial No. 2, has been carefully compared with the original filed in this office and is a full, true, and correct transcript of the same and of the whole thereof.

In testimony whereof I have hereunto set my hand and affixed the great seal of the State of Wyoming. Done at Cheyenne, the capital, this 20th day of February, A. D. 1922.

[SEAL.]

F. E. LUCAS,
Secretary of State.
By H. M. SYMONS, Deputy.

Enrolled joint memorial No. 2, senate, Seventeenth Legislature of the State of Wyoming (Senate joint memorial No. 2), memorializing Congress and the Secretary of the Interior to expedite the construction of the Guernsey, Wyo., storage and power dam.

Be it resolved by the Senate of the State of Wyoming (the House of Representatives concurring), That the Congress of the United States and the Secretary of the Interior be memorialized as follows:

"Whereas an appropriation amounting to \$1,420,000 has been made by the Congress of the United States for the carrying on of the work on the North Platte project in Wyoming and Nebraska, with allotments to be made by the Reclamation Service for the various works of this project, of which the Guernsey, Wyo., storage and power dam is a part; and

"Whereas this dam is deemed an important feature as a means of water storage and power which will greatly enhance development of the

State of Wyoming, furnish water for the further irrigation within Wyoming, and power to develop its natural resources; and

"Whereas it is understood that an allotment of but \$5,000 has been made for the fiscal year from said appropriation for this unit, and it has been understood that assurances have heretofore been given that construction of said dam would proceed under said appropriation during the present year: Now, therefore, be it

Resolved, That in justice to the State of Wyoming a reasonable amount of this appropriation for the fiscal year be allotted to the Guernsey Dam and made available for immediate use in the matter of actual construction work; and be it further

Resolved, That the senate of the Seventeenth Legislature of the State of Wyoming (the house of representatives concurring), do hereby strongly urge that such allotment be made with a view of active construction of the said Guernsey Dam be commenced without further delay, and that a copy of these resolutions be submitted to the Interior Department of the United States, to the United States Reclamation Service, to Senator F. E. WARREN, and to Senator JOHN B. KENDRICK, and to the Hon. FRANK W. MONDELL."

S. SKOVGARD,
President of the Senate.
J. D. NOBLITT,
Speaker of the House.

Approved, 9.12 a. m., February 6, 1923:

WILLIAM B. ROSS, Governor.

THE STATE OF WYOMING,
Office of the Secretary of State.

UNITED STATES OF AMERICA, State of Wyoming, ss:

I, F. E. LUCAS, secretary of state of the State of Wyoming, do hereby certify that the annexed copy of enrolled senate joint memorial No. 4, of the Seventeenth Legislature of the State of Wyoming, being original senate joint memorial No. 1, has been carefully compared with the original filed in this office, and is a full, true, and correct transcript of the same and of the whole thereof.

In testimony whereof I have hereunto set my hand and affixed the great seal of the State of Wyoming.

Done at Cheyenne, the capital, this 20th day of February, A. D. 1923.

[SEAL.]

F. E. LUCAS,
Secretary of State.
By H. M. SYMONS, Deputy.

Enrolled joint memorial No. 4, senate, Seventeenth Legislature of the State of Wyoming, memorializing Congress to liberalize repayment requirements under the Federal reclamation act.

Whereas it appears conclusively that a considerable majority of unit holders on the Shoshone and North Platte United States reclamation projects in Wyoming are now and will continue to be unable to meet present statutory requirements for repayment of project costs; and

Whereas, due largely to adverse agricultural and economic conditions, a majority of unit holders on these Wyoming projects are unavoidably delinquent in relation to payment of current operation and maintenance charges; and

Whereas the Federal reclamation act and acts amendatory thereof impose penalties ranging from 6 to 12 per cent per annum on such delinquent construction and operation and maintenance cost payments; and

Whereas by reason of conditions herein set forth large numbers of unit holders have been obliged to dispose of their equities at great loss to themselves, and unless substantial and immediate relief is afforded an increasing number of unit holders on these Wyoming projects must inevitably be forced in the future to sacrifice the fruit of substantial investments and many years of hard labor; and

Whereas the entire scheme or policy of Federal reclamation will be greatly advanced by proper treatment of unit holders already on Federal reclamation project lands: Now therefore be it

Resolved by the Senate of the State of Wyoming (the House of Representatives concurring), That the Congress of the United States be memorialized to enact legislation the purpose of which shall be:

(a) To provide additional time for the repayment of construction and operation and maintenance charges to the United States.

(b) For the withdrawing of public-land notices announcing the dates and time for the commencement of payment of construction and operation and maintenance charges on reclamation projects; crediting construction charges already paid to delinquent operation and maintenance charges; reducing the penalty for delinquent repayments from 12 to 6 per cent per annum; providing that no public notices be reissued until the Secretary of the Interior by a commission determines through investigations held on the projects the financial and economic conditions of the farmers on said projects, together with the physical condition of the farm units, and recommends the date on which public notice shall be issued.

(c) That the time of repayment of construction charges as provided for in the reclamation extension act be extended to not less than 40 years, that lands be classified as to producing value, and that the period of repayment be graduated and based upon said classification; be it further

Resolved, That a copy of this memorial be sent to Senator FRANCIS E. WARREN, Senator JOHN B. KENDRICK, and Hon. FRANK W. MONDELL, Representative in Congress for the State of Wyoming.

S. SKOVGARD,
President of the Senate.
J. D. NOBLITT,
Speaker of the House.

Approved 8.43 p. m., February 8, 1923:

WILLIAM B. ROSS, Governor.

Mr. WARREN presented a resolution adopted by the Government Club, of New York, N. Y., favoring the erection in the city of Washington of a national archives building, which was referred to the Committee on Public Buildings and Grounds.

Mr. KENDRICK presented a joint memorial of the Legislature of Wyoming, memorializing Congress to hasten the enactment of rural credits legislation and to amend the Federal farm loan act, which was referred to the Committee on Banking and Currency.

He also presented two joint memorials of the Legislature of Wyoming, memorializing Congress and the Secretary of the

Interior to expedite the construction of the Guernsey (Wyo.) Storage and Power Dam, and also to liberalize repayment requirements under the Federal reclamation act, which were referred to the Committee on Irrigation and Reclamation.

[NOTE.—These memorials are identical with those previously presented by Mr. WARREN, which are printed.]

Mr. TOWNSEND presented a petition of sundry members of the Friends in Council, a woman's club of Monroe, Mich., favoring an amendment to the Constitution governing the passage of legislation regulating child labor, which was referred to the Committee on the Judiciary.

Mr. WILLIS presented a resolution of Cincinnati Council No. 31, Sons and Daughters of Liberty, of Cincinnati, Ohio, favoring the more adequate restriction of immigration, which was referred to the Committee on Immigration.

Mr. LADD presented a memorial of the Bismarck Trades & Labor Assembly, of Bismarck, N. Dak., remonstrating against the passage of the so-called ship subsidy bill, which was ordered to lie on the table.

He also presented a memorial, numerous signed, of members of the Powers Lake National Farm Loan Association, of Powers Lake, N. Dak., remonstrating against amending the Constitution so as to make the income of bonds issued by Federal and joint-stock land banks subject to State taxation, which was referred to the Committee on the Judiciary.

REPORT OF THE JOINT COMMISSION ON POSTAL SERVICE (S. DOC. NO. 306).

Mr. TOWNSEND, from the Joint Commission on the Postal Service, submitted, pursuant to law, a report relative to methods and systems of handling, dispatching, transporting, and delivering the mails (with an appendix), which was ordered to be printed.

ENROLLED BILLS PRESENTED.

Mr. SUTHERLAND, from the Committee on Enrolled Bills, reported that on February 23, 1923, they presented to the President of the United States the following enrolled bills:

S. 462. An act for the relief of Max B. Baldenburg;

S. 851. An act authorizing the Secretary of War to make settlement with the lessees who erected buildings on a five-year lease on the zone at Camp Funston, Kans., and for other purposes;

S. 1829. An act for the relief of Walter Runke;

S. 2563. An act to provide for the completion of the bridge across the Little Colorado River near Leupp, Ariz.;

S. 3350. An act for the relief of Alice M. Gorman;

S. 3611. An act authorizing and directing the Secretary of War to abrogate a contract lease of water power on the Muskingum River;

S. 3614. An act relating to the official bond of the United States marshal for the southern judicial district of the State of New York;

S. 3690. An act for the relief of Lowe Hayden Bibby;

S. 4061. An act authorizing the Secretary of the Interior to enter into an agreement with Toole County irrigation district, of Shelby, Mont., and the Cut Bank irrigation district, of Cut Bank, Mont., for the settlement of the extent of the priority to the waters of Two Medicine, Cut Bank, and Badger Creeks, of the Indians of the Blackfeet Indian Reservation;

S. 4113. An act for the relief of Helene M. Layton;

S. 4187. An act to extend the time for payment of charges due on reclamation projects, and for other purposes;

S. 4310. An act for the relief of the owners of the steamship *Mohican*;

S. 4311. An act for the relief of the owners of the steam lighter *Comport*;

S. 4333. An act for the relief of Howard R. Gurney;

S. 4358. An act to authorize the American Niagara Railroad Corporation to build a bridge across the Niagara River between the State of New York and the Dominion of Canada;

S. 4411. An act granting the consent of Congress to the cities of Minneapolis and St. Paul, Minn., or either of them, to construct a bridge across the Mississippi River in section 17, township 28 north, range 23 west of the fourth principal meridian, in the State of Minnesota;

S. 4468. An act to authorize the coinage of 50-cent pieces in commemoration of the three hundredth anniversary of the settling of New Netherland, the Middle States, in 1624, by Walloons, French and Belgian Huguenots, under the Dutch West India Co.; and

S. 4522. An act authorizing the Secretary of State to convey certain land owned by the United States in Santiago, Chile, to the municipality of that city, and to acquire or receive in exchange therefor other land located in the said city.

AMENDMENT TO DEFICIENCY APPROPRIATION BILL.

Mr. TOWNSEND submitted an amendment providing for salary increases to certain employees in the office of the Secretary of the Senate, intended to be proposed by him to the amendment heretofore submitted by Mr. MOSES, proposing to increase the salaries of certain committee employees and clerks to Senators and intended to be proposed to House bill 14408, the third deficiency appropriation bill, which was referred to the Committee on Appropriations and ordered to be printed.

THE MERCHANT MARINE.

The PRESIDENT pro tempore. The question is on the motion of the Senator from Washington [Mr. JONES] that the Senate proceed to the consideration of the bill (H. R. 12817) to amend and supplement the merchant marine act, 1920, and for other purposes.

Mr. FRELINGHUYSEN. Mr. President—

The PRESIDENT pro tempore. The Senator from New Jersey.

Mr. FRELINGHUYSEN. Mr. President, I desire to state—

Mr. BROOKHART. Mr. President—

Mr. FRELINGHUYSEN. I yield to the Senator from Iowa.

Mr. BROOKHART. I am entitled to the floor at this time, but an arrangement has been made whereby I may yield to the Senator from New Jersey without losing the floor, and I am willing to do that.

Mr. FRELINGHUYSEN. Mr. President, understand—

The PRESIDENT pro tempore. By common understanding of the Senate, the Senator from Iowa will be recognized upon the conclusion of the remarks of the Senator from New Jersey.

Mr. FRELINGHUYSEN. I understand this to be the situation: Last night there was an understanding that the Senator from Iowa should continue his speech this morning. I asked him if he would yield to me for a short time in order that I might make some remarks on the pending motion. He asked me if I would speak to the chairman of the Committee on Commerce, the Senator from Washington [Mr. JONES], who is in charge of the ship subsidy bill, and ascertain if he would object to his assuming the floor immediately after the conclusion of my remarks. I understand that the Senator from Washington made no objection to that arrangement. I also understand that the Senator from Iowa will be allowed to continue his remarks after I shall have finished.

Mr. JONES of Washington. Mr. President, I think in view of the statement just made by the Senator from New Jersey, I ought to say that I knew nothing of any understanding to the effect that the Senator from Iowa [Mr. BROOKHART] was to have the floor this morning. I understood that last night he had completed one speech; and then, after motions to adjourn and other motions, the Senate finally concluded its session. However, I have no objection whatever to the Senator from Iowa being considered as having the floor and yielding to the Senator from New Jersey.

The PRESIDENT pro tempore. The Chair understands that the Senate has agreed to that order, and, therefore, it will be carried out.

Mr. FLETCHER. There might be a question, the Senate having taken a recess while a Senator was on the floor, whether he was entitled to resume where he was interrupted.

Mr. BROOKHART. I am entitled to the floor to conclude the speech which I was making on yesterday, for I did not then conclude.

The PRESIDENT pro tempore. The Chair understands that the Senate has by unanimous consent agreed that the Senator from Iowa [Mr. BROOKHART] may yield to the Senator from New Jersey, and that on the conclusion of the remarks by the latter the Senator from Iowa will be entitled to the floor.

Mr. FRELINGHUYSEN. Mr. President, I desire to address the Senate at this time on the pending motion of the Senator from Washington [Mr. JONES] to take up the ship subsidy bill. I do not care to become a party in any manner whatsoever to the filibuster that is now going on to prevent the consideration of the bill. I am heartily in favor of the bill.

Mr. McKELLAR. Mr. President, may I interrupt the Senator from New Jersey?

Mr. FRELINGHUYSEN. Mr. President, in view of my statement that I do not wish to aid or assist those who are delaying the consideration of the ship subsidy bill, I must, for the time being, refuse to be interrupted except for questions.

My interest in the bill is due to the fact that my State is a maritime State and is deeply concerned in the maintenance of a merchant marine, which is most important, not alone to the shipping interests in the State but also for the maintenance of shipyards.

I do not think the bill is a bill to aid private shipping interests, as I shall try to show in the remarks which I shall make, but it is a bill to aid the many thousand workers in my State who are now employed in the dozen or more shipyards which are engaged in repairing ocean-going ships; shipyards that depend entirely not upon shipbuilding, for that industry has ceased, but upon the repair and reconstruction of ships which are now under the American flag.

Notwithstanding the fact that I am termed a "lame duck," I still, until March 4 next, represent in part a sovereign State in the Senate, and I shall, therefore, speak for her interests, challenging the right of anyone to deny me that privilege.

Mr. President, we have heard a great deal of oratory on the subject of the merchant marine and the pending bill. With the exception of speeches by those closely in touch with the bill, little of it has been really informative. I purpose to take a very brief interval of the Senate's time to state to this body the actual situation, stripped of sectional or party considerations and reduced to cold businesslike facts, facts which can not be challenged by any Senator and which, I believe, the people of this country have not had brought home to them.

Senators on the other side of the Chamber have frequently reiterated that the present measure in aid of the American merchant marine has been repudiated by the people of the United States in the recent elections. It is impossible that the people of the United States can have passed intelligently upon a question in regard to which they were wholly dependent upon statements made to them by others, who themselves can hardly have imparted clear information because of their own lack of understanding.

In the first place, we have certain statutes passed by recent Congresses with regard to our merchant marine. The most important of these, from the standpoint of the difficult conditions created thereby, is section 7 of the Jones Act of 1920. This section provides that the Shipping Board shall establish and maintain desirable trade routes to different parts of the world from different ports of the United States. The theory of this section is that after the routes have been built up by the Government, private capital will step in and buy the ships operating on such routes. In practice this has not so far been realized. The losses on these routes, due to the higher cost of operating American flag ships, are such as effectually to discourage private capital from taking them over. The Shipping Board, therefore, has had to continue at public expense the maintenance of these services.

Although every route is losing money, in spite of the great increase of efficiency since the present Shipping Board took office, I may call especial attention to the routes running out of southern ports. One of the arguments for section 7 of the Jones Act was that it would make possible the breaking up of the so-called monopoly alleged to be enjoyed by New York. The idea was to build up the outports, to establish lines from the various harbors of the United States, so that there should be no "bottle neck" in our traffic.

Under section 7 the United States Government is obliged to bear the necessary losses involved in the building up of these southern ports. In other words, this section provides nothing more or less than a subsidy to ports of the United States, of which probably the South Atlantic and the Gulf ports will benefit the most.

The distinguished Senator from Louisiana [Mr. RANDELL], who is so ably supporting this bill, clearly perceived years ago the need of diversifying our commercial outlets. His State, being not only a seaboard State but containing the mouth of a magnificent river system tapping the entire central basin of the United States, should naturally take the lead in recognizing its dependence upon shipping. But Louisiana is not alone in this regard. Other States have splendid harbors and large potential interests in shipping. It is amazing to see the Senators on the other side of the Chamber, especially those coming from the seacoast States of the South, fighting so effectively against their own interests in opposing a measure that will make possible the continuance of the services out of their districts which have been established by the Shipping Board, and whose losses must be met from the Public Treasury.

If the Senators from States of the North Atlantic should oppose this measure, those of the country who were informed could, and doubtless would, raise the charge that the great seaports of that coast were jealous of building up possible rivals on the South Atlantic or the Gulf. But the opposition comes from those who are most directly benefited, and who, if they succeed in blocking the present measure, should in all justice go back to their constituents and assume full responsibility for making impossible the establishment of privately owned steamship lines from the ports of their State.

Let me take a few minutes and read to you the services which the country is maintaining out of ports in the Democratic strongholds:

From the South Atlantic there are maintained lines to Germany, to United Kingdom ports, and to Antwerp-Rotterdam range. These are direct services. In addition, these other lines, both northbound and southbound, call when occasion offers at South Atlantic ports. From the Gulf there are maintained four services to the United Kingdom, three to Antwerp-Rotterdam, three to Hamburg-Bremen, two to French Atlantic ports, two to the east coast of South America, two to western Mediterranean ports, one to Spanish Atlantic ports, one to eastern Mediterranean ports, one to the Orient, and one to the West Indies. In these services there are employed 139 steamers, aggregating 1,186,853 dead-weight tons.

South Carolina has allocated to the port of Charleston 15,680 tons of Shipping Board vessels; Florida has, based upon Tampa, 185,474 tons; Alabama has, operating out of Mobile, 195,642 tons; Texas, out of Galveston, has 507,433 tons; and New Orleans has 282,574 tons. This is some measure of the interest of southern ports in American shipping, and particularly in Government aid, because all these services are operated at a loss, and are impossible of maintenance except at Government expense.

I am not entirely convinced that it is possible to deflect the natural channels of trade except at enormous cost. I am not convinced that the operation of many of these costly lines will lead to any permanent result; but I am heartily in accord with the experiment, and I should be willing to support any measure which will improve commercial facilities anywhere in the United States, and hence will increase the general prosperity of the country as a whole. Certainly I should not, even coming as I do from a region where there is no lack of shipping facilities, vote for anything which would tend to discontinue these laboriously built-up services; for, make no mistake, gentlemen of the opposition, you are voting to discontinue these services when you block Government aid to the merchant marine. If these routes are to be maintained, the Federal Treasury must bear the loss, for I assume that your local communities will not do so themselves. The only question is, What will be the most economical way to absorb this loss?

One of the criticisms by the opponents of the bill has been against any encouragement to the larger combined passenger-cargo ships.

What increase in the rate of compensation for faster ships the bill as it is now written contains is practically limited to the needs of liquidating our Shipping Board fleet. This fleet contains, exclusive of the single mammoth *Leviathan*, a number of combination ships carrying passengers and a large amount of cargo at a higher speed than the ordinary freight ship. It is such ships, for example, that carry the extensive commerce in provisions and dairy produce that we enjoy with Europe. It is such ships that carry large quantities of grain to England and to Germany.

The board has approximately 350,000 tons of such ships, excluding the smaller ex-German vessels. The rate allowed them is only in proportion to their greatly increased differential in operating cost caused by the larger crews that they require. Such ships not only form the backbone of a merchant marine, but would be invaluable in time of war as naval auxiliaries to supplement the very inadequate cruiser strength of our Navy or for transporting troops.

The administration has proposed, after long and careful consideration, a method which, it considers, offers the greatest return for the least expenditure of public funds. In proposing this measure, the President demanded that criticism of it should be constructive and not destructive, and that objectors should offer a workable substitute. So far, we have had a wealth of destructive criticism, but the only alternative that has been offered is Government ownership.

It is in my mind that the United States during a recent administration embarked rather extensively upon Government ownership, and continued this ownership long after any war conditions which might possibly have justified it. We had Government ownership of railroads, of express companies, and of ocean cables, in addition to the enormous Government shipbuilding program and the Government-owned fleet, which is the problem before us. I do not know whether anyone will ever be able to tell us how much our brief experiment in Government ownership cost us, both in dollars and cents and in deterioration of services. I can say that the country was heartily sick of it. I believe I can say that if any opponent of the present measure had gone before his constituents and had told them that the choice lay between the present measure and permanent Government ownership, they would have unhesitatingly indorsed

any step which would get the Government out of private business and keep it out.

During the war many nations adopted, or were forced into, a policy of partial Government ownership of shipping. Great Britain, the canniest and wisest of the maritime nations, adopted it with most hesitation and got out of it quickest and best. She placed her Government fleet in the hands of a shipping man—horrible thought!—and this man sold all the ships and realized good prices with an overhead expense amounting to one-eighth of 1 per cent of the amount realized, and with only one instance where a purchase was not completed. France followed suit in acquiring a Government merchant marine. Now they are selling their ships to private French shipowners upon a flexible price and deferred payment plan. Canada contracted the fever and built a fleet of 64 ships. All but about 30 of these ships are now laid up. Even so, Canada managed to lose last year approximately \$9,000,000 on this relatively insignificant fleet. Australia was another advocate of government ownership. Her fleet was even smaller than Canada's, but her losses have been staggering in proportion to the tonnage.

One of the pathetically false beliefs of the country is that the war gave us a merchant marine. It is true that after 50 years of utter neglect we suddenly threw ourselves into the work of building, overnight, a stupendous fleet. Faced with a disastrous world situation, we entered into war on the side of the right. We found that without the ships we had so long scorned to provide for we were as helpless as infants. We could not transport our troops nor feed them after they were transported.

With money lavishly expended—more than \$3,000,000,000 of the bonds we now are paying interest on—with the full power of the Government and the people entering into the task, none of the ships contracted for by the board was completed in time to be of use in the war. The fleet we finally achieved included too many of one type, and many of them, due to the haste with which they were built, were of little value.

After the ships were put on the sea there were no records to show the financial relationship between the operators and the Government. Many thousands of voyages were made without the slightest accounting. It was not until the Sixty-sixth Congress had come into power and expressed a vigorous intention of opening the books that an accounting drive was instituted. As a result, 29,500 accounts were found bringing in a revenue of \$472,000,000.

Vessels were allocated by the previous Shipping Board to organizations incapable and unfitted to handle them. Ships were operated to meet political and sectional demands, instead of the channels of trade. We never will know what this period of government in business cost us. No adequate records were ever kept. We only know that we paid enough for our lack of a merchant marine to have subsidized an American fleet, at the maximum rate provided in this bill, for a century.

I will take the time here to mention the experience we had during the Spanish-American War, when ships were needed in order to transport our troops to Cuba, Porto Rico, and the Philippines. We had no ships under the American flag efficiently equipped for transport service. We had no ships to carry supplies to Cuba. We went in the open market and bought ships flying the British and the Scandinavian flags, and paid for them five times what they were worth.

We all lauded the heroism of Commander Hobson when he sunk the *Merrimac* in the Santiago Channel. We all boasted of his heroism, and he was praised from one end of this great country to the other for his heroic exploit, but we failed to call attention to the fact that the *Merrimac* which he sunk in the channel of Santiago had been an old wreck off the Virginia coast, sold by private interests to the Government of the United States for \$350,000, and that all that wreck cost the ship owners was \$70,000, plus a paltry sum of about \$50,000 to put her in condition. We did not learn the lesson in the Spanish-American War of the need of a merchant marine as an auxiliary to our Navy for national defense.

Mr. CARAWAY. May I interrupt the Senator?

Mr. FRELINGHUYSEN. I yield for a question.

Mr. CARAWAY. If the shipping bill had not been filibustered to death in 1915, we would have had some ships, would we not?

Mr. FRELINGHUYSEN. Mr. President, I am not indulging in a partisan discussion. This question is not a partisan question. I am pointing out the impotency of our policy as a nation in not providing a merchant marine, even at that time.

I care not the source of the opposition, whether it comes from this side of the Chamber or the other; I have nothing but condemnation for any American statesman who opposes Government aid or assistance in order that we might have that essential arm for national defense, a proper merchant marine, and

that our commerce should not hereafter stop at the water's edge. Continuing the subject I was discussing, worst of all the ships we possess will form, unless aid is extended to make their purchase and private operation possible, a liability rather than an asset. We have reduced the Government fleet to the minimum necessary to maintain our trade routes. Yet we are losing \$50,000,000 a year on this skeleton fleet. Every year these losses will increase as the ships get older. Eventually the fleet will be worn out and America will be again supine at sea.

When the emergency of the Spanish War came our Government was at its wit's end to provide ships. We paid 50 per cent more than their value for some we had to get from the British. I recollect that one of these was a vessel upon which I went with my military unit to Porto Rico. It was not in very excellent condition. It was the transport *Massachusetts*, bought from under the American flag, and we loaded 1,000 American troops on that vessel with 1,000 horses. It was not in fit condition. It was turned over hastily after carrying its cattle trade to Europe. The converted cruiser *St. Paul* was supposed to protect us, but did not convoy us any farther than outside the harbor at Newport News. Cervera's squadron was in the vicinity. A little more Spanish vigilance and the Senate would now be without the able services of the distinguished Senator from New York [Mr. WADSWORTH], who was also on his way to help crumple the Empire of Spain, as well as those of the senior Senator from New Jersey.

When the World War was thrust upon us and found us totally unprepared for such an emergency the nations that had carried our cargoes, principally Great Britain, were engaged elsewhere, and while we remained neutral we saw the vessels of those nations sunk by the hundreds by the submarines. We found ourselves helpless because we had no self-reliant, independent, aggressive national merchant marine. Our condition was such as to remind us bitterly of the absence of a national pride which had permitted the greatest marine in the world to fall to the weakest. Then, when the desperate need of ourselves and our allies was upon us, after the war we pile billion upon billion in an effort to build merchant fleets which would be capable of serving our military necessities and our commerce. We built ships until we had 16,040,000 dead-weight tons.

That was at the close of the greatest conflict in history. We were enthusiastic about our marine. High wages were paid. Materials were rushed to the shipyards on priority orders. Competition was keen for the reputation of turning out the largest tonnage. We had the mighty purpose of defeating the Germans, and beat them we did, but after we had chased them beyond the Rhine and the armistice had been signed we forgot all about our marine. Great strings of merchantmen, built at enormous cost during the war, still lie off the coast and up the Hudson River. There they slowly deteriorate and help to run up a maintenance bill of \$50,000,000 a year for the Government of the United States.

In view of the attitude of the Democratic Party in this debate to the bill now under consideration, I can not refrain from quoting its declaration in its last national platform of 1920. It says:

We desire to congratulate the American people upon the rebirth of our national marine, which once more maintains its former place in the world. It was under a Democratic administration that this was accomplished after 70 years of indifference and neglect, 13,000,000 tons having been constructed since the act was passed in 1916. We pledge the policy of our party to the continued growth of our merchant marine under proper legislation, so that American products will be carried to all parts of the world by vessels, built in American yards, flying the American flag.

I ask you Senators across the aisle whether this solemn promise was mere buncombe such as the promise of 1912 to reduce the cost of living and the promise of 1916 to keep us out of war, or whether this was some nobler impulse which passed away long before this present opportunity to fulfill the promise presented itself. Your great commoner of sainted memory, William Jennings Bryan, has stated that—

the Representative who secures office on a platform and then betrays the people who elected him is a criminal worse than he who embezzles money.

If you hesitate at the establishment of a subsidy, stop and think of the subsidy of two and a half billions which was exacted of the taxpayers of the country for the construction of the merchant fleets of which you boast in your platform above the billion of real value in them; not the billion of real value; the \$750,000,000 of real value, because they have depreciated to that extent. Think of the fact that that subsidy was exacted in time of stress because we had failed to provide such fleets by reasonable encouragement before the emergency arose. Think of the subsidies of \$238,000,000 we have voted to pay in the last 10 years for river and harbor improvements. Think of the subsidies of \$300,000,000 we have voted to pay for good roads for the benefit of the farmers. Think of the subsidy of

the development of 200,000,000 acres of the public domain for the benefit of the prosperous farmers who now occupy them. Think of the \$30,000,000 appropriated annually as a subsidy to the farmers for eradicating plant and cattle diseases. Think of the subsidies contained in the rural free delivery and the weather and crop reports sent out by radio. Think of the subsidies contained in the land grants to railroads, which helped to build up our country to its present opulence. Think of the \$30,000,000 a year paid in mail subsidy every year for the benefit of magazines and farm publications in order that they may spread practical information and publish high ideals to our tillers of the soil.

Without such a subsidy of four to thirty millions of dollars a year what will you do with our ships? How will you explain to the American people your failure to vote to take advantage of the possibilities for the development of our commerce and our prosperity?

There is another consideration, too, which ought to have much weight, and that is the need of national economy. If we now spend fifty millions each year of the money of the people to maintain in idleness a vast array of merchantmen, should we not, in all common sense, reduce the amount to from four to thirty millions per year in an effort to extend and make active those fleets in order to stimulate and carry our ocean-going commerce? Surely they are quite as necessary as battle-ships in the upbuilding of American commerce and prosperity.

Mr. President, I think the past history of our merchant marine fleet shows we made a great effort, but we can not fail to recall the mistakes when we realize the controversy between Mr. Denman and Colonel Goethals as to whether we should build wooden ships or not. I am not criticizing the final policy decided upon, that we should build wooden ships, but I point to the fact that we were unprepared at that time, that we did not know, and that we invested \$300,000,000 of the taxpayers' money in worthless wooden ships, which were a total loss, and which had to be sold for \$750,000. That is a reflection upon American statesmanship and American vision. If, during this history of failure, we had taken \$10,000,000 and applied it to an annual subsidy, we would have entered the war with Germany with a greater fleet of merchantmen than any other country had.

Turn your eyes across the sea and observe how our great trade rivals conduct this vital business.

METHODS OF BRITISH COMPETITION.

The British Board of Trade, similar to our Department of Commerce, with the head of it sitting in the cabinet of the prime minister, appoints assistants who have all to do with shipping. This is a bureau with sufficient authority to shift to changing conditions. It comprises the functions which in this country are widely and unsatisfactorily distributed over the Bureau of Navigation, the Steamboat Inspection Service, the Treasury Department, the Bureau of Foreign and Domestic Commerce, the Immigration Service, the Department of Justice, the Interstate Commerce Commission, the Federal Trade Commission, and the Tariff Commission, few of which have any correlation to the others. Besides this, the British Board of Trade frequently enacts what is known as an order in council, and as a matter of fact it functions legislatively. This is in reality an arbitrary ruling sanctioned by law. It is a sort of cracker on the whip of English jurisprudence. Just as the first-class mule skinner in our western country will be able to take his whip and fleck a fly from off his leaders with great detriment to the fly and none to the leaders, so the British trade official with his order in council is able to destroy competition without injury to British interests anywhere, while apparently actually conforming to law.

With some of these orders in council which we considered a little too arbitrary for our national patience to bear we had something to do about the year 1812. Measures were introduced in our Congress in 1916 for the protection of our fishing interests in the Northwest from absorption by Canada through the operation of Canadian orders in council and their interpretation, which were brought into question. A representative of the American fishing industry discussed the subject with the supervising Canadian officer and told him that the orders were unfair in that they were interpreted differently for Americans than for British subjects. The American protested. The Canadian's reply was, "Well, you must remember that these orders in council are made for the protection of Canadian and British subjects. If you want any protection you will have to go to your own country and have a law passed."

ENGLAND OUR RIVAL.

To-day we are the great trade rival of England and we must fight out with her in a friendly way the issue of which is to

gain the greater portion of the commerce of the world. For the calendar year 1920 her imports amounted to \$9,425,154,536, as compared to \$5,279,398,211 for the United States. Her exports totaled \$7,581,874,259, as against \$8,228,759,748 for us. These figures tell a remarkable story of the resuscitation of British commerce, which the peoples around the earth had gained the impression had been practically eliminated by the German submarines. The British do not sleep. Commerce is life and prosperity to a nation, and England never forgets that the chief safeguards of its maintenance are a superior merchant marine and the greatest of navies.

While we have been blowing our horn and wasting money England has silently, but none the less surely, been rehabilitating her merchant marine, which she considers vital to her future. We read all through the war of British ships being sunk by submarines day by day. We read that her total had descended to something like 8,000,000 tons. We said to ourselves, "It will be a long time before England regains her place in merchant ships on the sea." The Germans were delighted at the prospect of the ultimate success of their hellish work. The United States then stepped in and saved the cause of civilization, and incidentally of the British Empire. And the day the armistice was signed our English cousins across the sea hardly waited for the formalities of the peace before they turned to the great task of regaining her maritime supremacy. They had a national policy—that England must be supreme on the sea. They maintained a merchant marine in peace and did not have to squander money in an emergency to obtain one. The ships they built to replace their losses were built without waste and extravagance; their builders and their labor people got together; the Government put all of its strength into the task. And what is the stupendous result? The total tonnage of Great Britain is now 20,582,000, as compared to 20,523,000 in 1914. It is now 20,582,000, as compared to 16,049,000 for the United States, of which figure nearly half is composed of the Shipping Board tonnage whose problem we are facing now.

I do not believe in having the Government engage in commercial business; I believe in restricting the Government to its proper field, that of governing. But, of all businesses, it is difficult to imagine one in which a government is less fitted to engage than that of ocean shipping. This is an occupation which requires sound judgment, instant decision, splendid imagination, and great initiative. It is a semispeculative industry which can be governed by no set of rules or procedure. To attempt to operate a fleet of our ships in competition with foreign fleets while hampered by the red tape and the system of checks with which we very properly surround our governmental administration is an utter impossibility.

I have pointed out that the present policy of the Shipping Board in carrying out the provisions of section 7 of the Jones Act is a subsidy to the various seaports from which Government lines are maintained. I do not need to point out that by maintaining these Government services at a huge annual loss the exporter and the importer are assured reasonable rates and adequate carriage. In other words, the maintenance of this fleet is, in effect, a subsidy to our foreign trade.

My friends from the interior districts feel that the farmer is not interested in a merchant marine. I do not believe for one moment that an American farmer, if he is given facts, will take any such view. The farmer knows that he must export approximately 30 per cent of his production or his local prices will be broken by the unmarketable surplus. The farmer knows that his return from his crop is intimately dependent upon adequate and reasonable transportation to his markets. The distinguished senior Senator from Idaho stated on this floor less than two months ago:

Our markets in Europe are indispensable to the prosperity of the American producer. We sell from 23 to 25 per cent of our wheat abroad. Unless that amount finds a market, it is impossible for the American farmer to realize a price which will justify his raising the wheat. (CONGRESSIONAL RECORD, December 27.)

Mr. HITCHCOCK. Mr. President—

Mr. FRELINGHUYSEN. I yield for a question.

Mr. HITCHCOCK. If the Senator will permit me, I think I ought to correct his impression of the western farmer. The western farmer is highly pleased with the success of a merchant marine built by the Government, which has resulted in giving him very much lower freight rates on the ocean at the same time that freight rates on land by private ownership have greatly increased. The one thing of which the American farmer is now getting the benefit is very low ocean freight, and that would not be possible if the Government had not built the ships.

Mr. FRELINGHUYSEN. The Senator does not see the other side of the picture, the fact that the shipping operations were carried on during the previous administration at a cost of about \$360,000,000 a year, which is uneconomic. The only way in

which we can have ocean freight rates is to continue the industry by governmental assistance to private owners and have sufficient ships so that competition will be keen and the low rates will be maintained and avoid the tremendous taxation involved through Government ownership, which the farmer inevitably pays.

Mr. HITCHCOCK. The Senator does not question the fact that everything now is costing the farmer more than it did before the war except ocean freight?

Mr. FRELINGHUYSEN. I question the fact that the American farmer in any district of the United States wants Government ownership at a high cost to the taxpayer, of which he himself is one.

The Budget of the United States provides for \$100,000,000 a year in Federal aid to highways, so that, among other things, farm products may be trucked easily to points of shipment or consumption. The regulation of the railroads themselves has been the subject for heated debate and occupies many pages of the RECORD. The farmer is interested in highways and in railroads because they are tangible and he sees them. Ships and the oceans are not under his eye. They are miles away from him. But he is keenly conscious of the importance of the whole chain of transportation to his markets, and when he realizes that sea transportation is a vital link in this chain no farmer will question for a moment his deep and immediate interest in shipping. Here again the farmer has not been given the facts.

During the war the shipper to Russia, France, and England was compelled to pay excessive freight rates, or his efforts to find a market met with failure by reason of the lack of ocean tonnage facilities.

Thus the cotton shipper was compelled to submit to the absolute control of England, who allocated all tonnage facilities for the shipment of cotton, and thereby not only controlled its shipment but its distribution as well.

We are proposing a measure which we believe will create an American merchant marine, even more vital to the farmer than are the railroads. The latter are wholly within the country and easily subject to governmental regulation, but no branch of the Government of the United States can regulate rates charged by foreign-flag vessels, nor insist that they maintain services adequate to meet the needs of American shippers. Regulation of ocean commerce comes through competition, and then only in normal times.

We have provided in this measure that compensated ships must operate out of American ports and serve directly American commerce. In normal times they will be in competition with ships of foreign nations, and this competition will insure reasonable rates, as is demonstrated by the low rates obtaining to-day due to the competition by Shipping Board ships.

But the real value of an American fleet will be shown in those abnormal times which inescapably will come some day. There will be a demand for shipping on the other side of the world, due to a war, let us say, or any other combination of exceptional circumstances. Immediately the ocean link in our transportation chain is threatened. The foreign ships, on which we have been blindly dependent, will be requisitioned by their government or will withdraw to seek greater profits elsewhere. Where, then, would our farmer be without his American merchant fleet? He either must bid against the rest of the world for space on an insufficient amount of tonnage or he must see his surplus production remain on his hands and demoralize his local market. It is to meet this situation that we provided in the measure that in return for the slight amount of aid which American ships receive during normal times they be subject in time of emergency to requisition and control by the United States.

As an example of how other nations have carried out such a procedure let me quote you from a report from our consul general in Hongkong, written in 1915.

During the acute tonnage shortage of the past spring the Japanese Government ordered the Japanese lines, all of which enjoy substantial, not to say large, subsidies from the Japanese Government, to take freight during certain months from Japanese ports only, thus serving Japanese industries and Japanese shippers in preference to other shippers in the Far East, and, of course, without any reference to American interests in the premises.

This is what we purpose to do with our compensated ships if it ever becomes necessary. Where the emergency warrants it, the ships can be operated to serve the trade of the United States and that trade alone.

This measure is a subsidy or, perhaps, it would be better to say, an insurance policy for the American exporter, and two-thirds of our exports are still agricultural products. The country will pay an almost imperceptible tax in normal times to provide this aid. This is its insurance premium. In abnormal times, by virtue of this premium, it is guaranteed the contin-

uance of reasonable and adequate transportation, without which the commercial fabric and the prosperity of the United States would be shaken to its foundations.

It is true that in normal times the country might save these premiums, just as a householder might let his house go uninsured or save the price of a lightning rod on his barn, but it is false economy. In one or two years of emergency or disruption he will pay in losses manyfold the slight cost of adequate protection. The cotton growers of the South experienced this in 1915, the farmers in the Northwest learned it in the Boer war, and the fruit growers of the far West suffered in the recent railroad strike for lack of adequate water transport. The farmer knows the principle of insurance and he believes in it, and if the Senators who represent agricultural constituencies tell their farmers that this is an insurance policy, I believe those farmers will be for it, and if the Senators do not so inform their constituents, then they have failed to place before them vital facts on which to base their opinions.

However, strong as are my views on the farmer, they may be somewhat academic. There are other interests in the country besides the farmer. The manufacturing and allied industries are probably fully as important. These industries employ millions of skilled workers, and there are hundreds of thousands of them in my own State. I am directly interested in these workers, and I am interested in this bill because, while its results will benefit everyone in the country, the actual money paid out by the Government will be distributed among these workers.

It is both usual and characteristic on the part of the opposition to refer to this measure as a payment from the Treasury to the great shipowner, a graft on the part of the shipping trust, a payment of the taxpayers' money into the pockets of a favored few. Nothing is farther from the truth than this.

There are certain differences in the cost of construction and operation of American ships as compared with those of foreign nations. Each of these higher costs is directly attributable to a requirement imposed by Congress upon the American shipowner for the benefit not of the shipowner but of the people of the country. I will try to explain this in a simple and easily understandable manner.

Until the World War no ship built in other than United States yards could fly the American flag. Then, as now, ships built in this country cost 25 per cent more than ships built, say, in Great Britain. We built good ships, but so did British yards. There was no difference in value, yet for the privilege of flying the American flag an American shipowner was obliged to pay a tax of 25 per cent of the cost of his ship. Why? Simply to develop the American shipbuilding industry. It did not fully do it, because the ships were built abroad and kept under foreign flags; but that was the intent of the law. Under this bill none but American-built ships can in the future receive subsidy.

Then it may doubtless be claimed that this higher cost is due to extortion on the part of the great shipbuilding corporations of the country. Let us look into that. Roughly, half the cost of a ship is labor and half is material. Before the war and to-day American shipyard labor received practically twice the wages that was paid to workers in British yards. In other words, the British yards had a 50 per cent advantage in labor cost. As labor makes half the cost of the ship, a 50 per cent advantage on half the cost makes a 25 per cent difference in the entire cost, which is just what existed. In other words, all the higher cost that American shipbuilders charged was—and is—passed right on to the labor employed in their yards.

So it is in the case of repairs. In order to give work to American labor, to the skilled artificers of the metal trades, and in order to maintain our desperately reduced shipbuilding industry this Congress wrote into the tariff bill a provision that all except emergency repairs made to American ships in foreign ports should be dutiable at 50 per cent. This is a financial handicap to the shipowner; he can get his repairs done more cheaply in foreign ports than in the United States, but he must take his choice between paying a 50 per cent premium on those repairs or of having them undertaken in American yards at a higher cost. Here again the owner of American ships is being taxed for the benefit of labor of the country. In this bill we provide that subsidized ships must be repaired and reconditioned in the United States.

By our laws—and no one can question the wisdom of this provision—the officers of American ships must be citizens. The ordinary cargo ship carries four engineer officers and four deck officers. For a medium-sized ship the difference between the pay of these eight American officers and eight similar British officers amounts to approximately \$9,000 a year. Only as to officers is there to-day a citizenship requirement; but in this

bill we have imposed a citizenship requirement for the unlicensed men, and there is no question but that this will make a still greater wage differential.

There is no benefit to the shipowner in this. He can get perfectly competent British officers or German officers or Norwegian officers for half the wage he pays to Americans. We require that he hire Americans, merely that in time of war we may have a trained and loyal force of seagoing officers and men who will carry our vital cargoes through dangerous waters and who can form a naval reserve to reinforce our regular establishment. But again we are taxing or trying to tax the American shipowner for a benefit which really accrues to the country as a whole. We want him to employ high-priced American labor in a business where he can earn no more revenue than is earned by his cheaper-run competitors.

I hope I have made it clear to the other side of the Chamber and to any on this side who have not had opportunity to study the facts that the proposed subsidy is not a subsidy to shipowners. It is made necessary by requirements that we ourselves impose for the general good of the country; it does not exceed in amount the financial handicap which those requirements create; the payments are passed on directly to the ultimate recipient, American labor afloat and ashore, and the fleet that results is of benefit to every person in the country, but especially to producers dependent on foreign markets. The shipowner is nothing but a mouthpiece, an agent to achieve the result. In effect we are saying to the steamship men of the country: "We have imposed expensive requirements on American-flag ships and the traffic will not bear their cost. As a result you can not buy American ships. We can not let down our requirements, which are in the interest of American labor and of the country as a whole, but we will make up to you the higher cost which these requirements impose." Where is there graft in that? There is nothing which prevents an American shipping man from owning foreign-flag ships. Before 1914 most of our American-owned fleets were under foreign registry. If we do not want our fleets to revert to this condition, if we want to sell the Shipping Board fleet and end the Government losses, we must either remove the restrictions imposed on American-flag ships or offset them. We can not make water run up hill, nor attract capital to a losing business.

This measure offsets these restrictions. It has been modified to meet every reasonable objection. For those who exaggerated the amount involved, a maximum limit of \$30,000,000 has been inserted. Those who claimed that it was perpetual are answered by the time limit provision. Size and speed maxima have been lowered to answer the alleged fears that the bill would encourage "floating palaces" for the very rich. Aid has been denied the Standard Oil and the United States Steel Co., so that even though their fleets, the greatest private flotillas we have, go under foreign flag, our hands are clean of the imaginary stain of having helped "the corporations."

We have provided that the subsidy shall not be payable unless the board disposed of at least half of its high-grade tonnage, and we have provided against discrimination and unfairness by requiring public hearings and allowing appeal to the courts. Nothing reasonable has been left undone to answer objections to this measure. If it should fail to pass, it will remain as a measure of our effort and our willingness, and I tell Senators who are opposing the pending bill that when the people who depend upon them for their information find out what a sound and safeguarded measure they have spurned, and when they realize the consequences of failure to pass this bill, I think they are going to ask some very embarrassing questions.

I now yield to the Senator from Iowa, under the unanimous-consent agreement.

Mr. BROOKHART. Mr. President, I am very grateful, indeed, to the Senator from New Jersey [Mr. FRELINGHUYSEN] for his handsome contribution to the filibuster. He has consumed a whole hour of time and driven several more large nails into the coffin of the shipping bill. The only chance the shipping bill had was time, and the Senator has taken that away from it.

The Senator has seen fit to condemn all of us who are opposed to the shipping bill, and I am glad that wisdom has reached him even at this late day, because through all his term of office he has not before found out the necessity for this great benefit to the American farmer. I note the subsidies which he has handed out to the American farmer, according to his statement—the subsidies for roads, he says, so that his Rolls-Royce might roll over those roads while the farmers work to pay for them; the rural free delivery, which also opens up the channels for the middlemen who take their profits from the farmer; and the subsidies to destroy diseases in live

stock and in crops, so that the farmers might produce more crops at less cost for greater profits for big middlemen. Yes, there is something in the argument; and I wish to call the attention of Senators to how it is affecting the American farmer. I have a little account here of how all of these governmental subsidies work out for the American farmer:

FARMER GETS \$1.30 FOR CAR OF POTATOES.

According to the Fargo (N. Dak.) Forum, N. P. Nelson, a farmer living near Leal, N. Dak., received exactly \$1.30 as his returns on a carload of potatoes sold at Minneapolis for \$336 through the Minnesota potato exchange.

The Forum, to sustain its story, prints a photographic reproduction of the check with the attached bill of expenses.

According to these exhibits, the railroads got \$180.60 out of the \$334.70, and the various middlemen got the remainder, minus the \$1.30 which went to the farmer who produced the potatoes.

The sacks alone cost Mr. Nelson between \$30 and \$40. It is said that a number of farmers in the vicinity of Leal have had the same experience.

That may be an extreme case, but the general average of the farming business is standing upon that basis to-day; and while that is going on, the men who reap the profits are crying out: "Keep the Government out of business! Let us handle that business, and give us a subsidy for doing it."

The farmer has been reasoning out some of this proposition about the Government in business, and he is beginning to see that if the railroads had a deficit under Government operation he could pay that deficit by levying an excess-profits tax upon the excess profiteers, and he could collect that tax by making it 100 per cent on the upper brackets, so that it could not be added in and passed on to the consumer in the end. No; the farmer is beginning to think this proposition out for himself in some of its details, and the statesmen of this generation will have to answer to that thinking. They can no longer crawl in behind this specious theory that the subsidy goes for the benefit of the worker who never sees it; and for the farmer who never does anything but pay it. They can no longer get away with that and pass it off upon the "prosperity" of the farmer which does not exist.

In this connection, while the farmers are thus treated and thus crippled under the present situation, we find, in reference to the railroad companies, about which I talked last night, that there is an unusual situation in reference to the salaries of big railroad managers; and I want to review that. I did not have my documents with me last night, and I was in a good deal of a hurry anyhow, but I have found them this morning; and I want to call attention to the salary of Mr. L. F. Loree, president of the Delaware & Hudson, \$25,000, and then it was increased on March 1, 1920, by \$12,500 more. That is not all the salary that Mr. Loree received. As president of the Kansas City Southern, his salary was raised from \$30,000 to \$35,000 a year. In addition to that, he was president or chairman of the board of 34 corporations; and in addition to all of that he was a director in 24 other corporations. I have not his salary in all of those institutions, but I do know his method of charging up profits to the American farmer, and these salaries are largely paid by the American farmer.

There is President A. H. Smith, of the New York Central, who draws a poor little salary of \$53,550 a year from that road, and at the same time we find him with another salary of \$14,000 from the Big Four Railroad. Then, on the Michigan Central he picks up a salary of \$13,890, and on the Boston & Albany another salary of \$5,480; and on the Pittsburgh & Lake Erie another salary of \$5,650; altogether, \$92,580 salary as president of those different roads. Then, in addition to that, we find him connected with 87 corporations as against only 58 for Mr. Loree. Of course, we do not know what his salaries are in those 87 altogether; but, judging from what has happened in the others, they are a princely tax upon the American farmer.

The biggest single salary received by any of the railroad executives is the \$100,000 of Julius Kruttschnitt, chairman of the board of the Southern Pacific. This is the same Mr. Kruttschnitt who has used up many square miles of perfectly good white paper in newspapers and magazines telling the American people about the outrageous wage demands of the railroad employees. If one had the time, it would be interesting to find out how much time he has spent in the last few years in this kind of propaganda, and how much he had left for the very serious business of looking after the vast empire controlled by the Southern Pacific.

Taking the salaries as a whole, we are struck by the great disproportion that exists between the salaries of these supreme executive officers, who appear to spend so much of their time giving newspaper interviews, attending banquets, and addressing rotary clubs, and the subordinate officials, from general manager down, who see that the traffic gets over the line. If the president gets \$50,000, the general manager is likely to get

only \$10,000 or \$15,000; while the division superintendents, who have to sweat blood when anything goes wrong, are lucky if they get over \$5,000. These operating officials of the railroads are, as a matter of fact, among the lowest-paid workers in the country when their experience, duties, and responsibilities are taken into account.

Mr. President, I have specially mentioned those few cases, but I want to give a more complete list of these gentlemen. I wish to give their names and the salaries so that the farmers of the United States and the laboring men of the United States can have some idea of the benevolent surroundings of these men who levy these taxes of railroad rates and of excess profits upon the common people of the country.

Salaries of railroad presidents.

		Salary rate January- July, 1921.	Amount of increase or decrease between Mar. 1, 1920, and July 1, 1921.
L. A. Jones	Alabama & Vicksburg	\$20,000.00	
Newman Erb	Ann Arbor	12,000.00	\$4,500.00
W. B. Storey	Atchison, Topeka & Santa Fe	50,000.00	
B. L. Bugg	Atlanta, Birmingham & Atlantic	18,000.00	\$6,000.00
J. R. Kenly	Atlantic Coast	20,000.00	\$1,200.00
Daniel Willard	Baltimore & Ohio	75,000.00	\$7,500.00
Percy R. Todd	Bangor & Aroostook	30,000.00	
H. G. Hitzler	Belt Ry. of Chicago	7,500.00	
J. H. Reed	Bessemer & Lake Erie		\$5,000.00
J. H. Hustis	Boston & Maine	44,500.00	\$10,000.00
W. T. Noonan	Buffalo, Rochester & Pittsburgh	60,000.00	\$10,000.00
E. R. Darlow	Buffalo & Susquehanna	14,700.00	
N. S. Meldrum	Carolina, Clinchfield & Ohio	10,000.00	
W. A. Winburn	Central of Georgia	30,000.00	
E. C. Smith	Central of Vermont	12,000.00	
F. B. Grier	Charleston & Western Carolina	10,000.00	\$400.00
W. G. Bied	Chicago & Alton	38,000.00	
W. J. Jackson	Chicago & Eastern Illinois	38,000.00	\$4,800.00
Marvin Hughitt, sr.	Chicago & North Western	50,000.00	
W. H. Tinley	do.	80,000.00	
B. A. Worthington	Cincinnati, Indianapolis & West- ern	20,000.00	
Marvin Hughitt	Chicago, St. Paul, Minneapolis & Omaha	5,000.00	
J. T. Clark	do.	25,000.00	
S. M. Felton	Chicago Great Western	50,000.00	\$10,000.00
H. R. Kurrie	Chicago, Indianapolis & Louis- ville	25,000.00	
Hale Holden	Chicago, Burlington & Quincy	50,000.00	\$10,000.00
A. H. Smith	Cleveland, Cincinnati, Chicago & St. Louis	14,000.00	
Hale Holden	Colorado & Southern	10,000.00	
H. E. Byram	Chicago, Milwaukee & St. Paul	60,000.00	
J. E. Gorman	Chicago, Rock Island & Pacific	50,000.00	
L. F. Loree	Delaware & Hudson	37,500.00	\$12,500.00
W. J. Harahan	Chesapeake & Ohio	30,000.00	
A. R. Baldwin	Denver & Rio Grande Western	15,000.00	
W. R. Freeman	Denver & Salt Lake	12,000.00	
T. M. Schumacher	El Paso & Southwestern	66,666.00	\$10,000.00
W. H. Beardsley	Florida East Coast	14,400.00	
Hale Holden	Fort Worth & Denver City	5,000.00	
Mrs. C. B. Williams	Georgia, Florida & Alabama	5,666.00	\$1,000.00
H. E. Whittenberger	Grand Trunk System	14,000.00	\$2,000.00
L. W. Hill	Great Northern	25,000.00	
R. Budd	do.	30,000.00	
J. S. Pyeatt	Gulf Coast Lines	25,000.00	\$975.00
W. J. Harahan	Gulf, Mobile & Northern	12,000.00	
C. H. Markham	Hocking Valley	6,000.00	
L. F. Loree	Illinois Central	75,000.00	
J. A. Edson	Kansas City Southern	35,000.00	\$5,000.00
S. D. Warriner	do.	32,000.00	\$7,000.00
Ralph Peters	Lehigh & New England	6,000.00	
H. Walters	Long Island	30,000.00	
W. L. Mapother	Louisville & Nashville	15,000.00	\$62.50
	do.	23,333.00	\$416.66
Morris McDonald	Maine Central	30,000.00	\$104.16
A. H. Smith	Michigan Central	13,890.00	\$5,000.00
W. H. Brenner	Minneapolis & St. Louis	26,000.00	\$7,000.00
C. E. Schaff	Missouri, Kansas & Texas	50,000.00	
B. F. Bush	Missouri Pacific	50,000.00	\$5,000.00
W. R. Cole	Nashville, Chattanooga & St. Louis	18,000.00	\$900.00
C. M. Depew	New York Central	25,000.00	
A. H. Smith	do.	53,550.00	
do.	Boston & Albany	5,480.00	
H. M. Bisbee	do.	22,500.00	\$2,500.00
A. H. Smith	Pittsburgh & Lake Erie	5,650.00	
J. M. Schoonmaker	do.	25,000.00	
J. B. Yohe	do.	20,000.00	\$5,000.00
O. P. Van Sweringen	New York, Chicago & St. Louis	16,000.00	\$6,000.00
J. J. Bernet	do.	35,833.00	\$5,000.00
E. J. Pearson	New York, New Haven & Hart- ford	50,000.00	\$2,000.00
J. B. Kerr	New York, Ontario & Western	20,000.00	\$1,000.00
N. D. Maher	Norfolk & Western	60,000.00	\$10,000.00
J. H. Young	Norfolk & Southern	25,000.00	
Howard Elliott	Northern Pacific	40,000.00	

1 Increase.
2 Decrease.

3 Receiver.
4 Chairman board of directors.

5 Vice president.

Salaries of railroad presidents—Continued.

		Salary rate January- July, 1921.	Amount of increase or decrease between Mar. 1, 1920, and July 1, 1921.
Chas. Donnelly.....	Northern Pacific.....	\$35,000.00	
Do.....	Northern Pacific (land department).....	7,500.00	
Samuel Rea.....	Pennsylvania.....	56,822.00	
E. N. Brown ¹	Pere Marquette.....	24,000.00	\$4,000.00
F. H. Alfred.....	do.....	36,000.00	\$6,000.00
Agnew T. Dice.....	Philadelphia & Reading.....	25,000.00	
Eppa Hunton, jr.....	Richmond, Fredericksburg & Potomac.....	15,000.00	
E. N. Brown ¹	St. Louis & San Francisco.....	33,000.00	\$6,000.00
J. M. Kurn.....	do.....	44,000.00	\$6,000.00
J. Kruttschnitt ¹	Southern Pacific.....	100,000.00	\$8,000.00
Wm. Sproule.....	do.....	75,000.00	
J. M. Herbert.....	St. Louis Southwestern.....	35,200.00	
W. L. Ross ¹	Toledo, St. Louis & Western.....	25,000.00	
C. W. Huntington.....	Virginian.....	25,000.00	
W. H. Williams ¹	Wabash.....	25,000.00	
J. E. Taussig.....	do.....	40,000.00	
Chas. M. Levey.....	Western Pacific.....	30,000.00	

¹ Chairman board of directors. ² Increase. ³ Decrease. ⁴ Receiver.

S. M. Felton, of the Chicago Great Western, who is mentioned in this table, is my own particular friend, you remember. I mentioned him several times last night. He draws \$50,000, and got an increase in these hard times of \$10,000.

The C. H. Markham mentioned in the table as drawing \$75,000 as president of the Illinois Central is another one of those presidents who earns his \$75,000 in the newspapers.

Mr. President, my time is cut off this afternoon, and as I have several other important matters I desire to present before this discussion ends, at this point I will yield the floor, this being the end of my first speech.

ADMISSION OF ARMENIAN REFUGEES.

Mr. ROBINSON. Mr. President, so many are the subjects of legislation which, under present-day conditions, come before the Congress, that it is often difficult to secure action on measures concerning which there is a consensus of opinion. The bill which the Senator from Washington [Mr. JONES] has moved to consider actually does not have the support of a majority of the Senate. Some Senators who have voted with the proponents of the bill feel that the measure is of such doubtful value that no public interest would be seriously injured if the bill should fail of passage. As a matter of fact, there is no probability, there is scarcely a possibility, that the ship subsidy bill in any form, however it may be modified by the present Congress, will become a law.

I said in the beginning of the consideration of that measure, when the bill was first brought before the Senate, that it should not be disposed of by the present Congress, for the reason that a large majority of the American people are not in favor of its provisions; that their opposition to the bill was reflected in the result of the last national election; that it was unwise, to a degree approaching political immorality, to attempt to force the passage of a measure by the votes of Senators and Representatives who have been defeated, in part, at least, because of their support of the measure, and that it was unjust to impose for a period of 15 years the obligations carried in this bill on the American people, when they do not want it, and when the next Congress, elected, in part, upon this issue, admittedly would not approve of the measure.

It is now quite generally recognized, here and elsewhere, among those familiar with the course of the debate on the shipping bill, that the measure stands defeated, and that future efforts to secure its enactment can only result in the prevention of legislation which, if permitted to come before the Congress, would meet with approval and be enacted.

There is a measure which passed the Senate some weeks ago, and which has been amended by a committee of the body at the other end of the Capitol in such a way as to endanger its enactment. That measure passed the Senate of the United States without a single vote in opposition. On February 6 Senate bill 4092, providing for the admission into the United States of certain refugees from near eastern countries, after being discussed briefly by the Senate, was passed without a dissenting vote. The senior Senator from Massachusetts [Mr. LODGE], the leader of the majority, and, I believe, the senior Senator from Alabama [Mr. UNDERWOOD], the leader of the minority, and a num-

ber of other Senators, realizing the emergent character of the bill, cooperated to secure its speedy disposition by the Senate, with the very gratifying result that the bill passed the Senate unanimously.

Age-long oppression has culminated in unspeakable cruelties recently inflicted by the Turkish military authorities upon the Armenians. Many families have had their property seized or destroyed and after prolonged torture have suffered death.

The Senate bill above referred to will afford relief to a limited number only, but its passage is very much desired by the Christian population not only of this country but of other civilized countries as well. It will permit fathers, mothers, brothers, and sisters of American citizens to enter the United States under proper bond and restrictions.

There is serious danger that the bill will fail to pass. The House Committee on Immigration and Naturalization on February 15 reported the measure with an amendment in the nature of a substitute, and it is expected that a special rule for the consideration of the bill may be reported and passed early next week.

The House amendment is a general immigration bill. It is a carefully worked-out method for simplifying and making practicable the principle of limiting immigration by quota. It classifies immigrants into two general groups—quota and nonquota—and provides for the issuance of certificates of immigration intended to prevent confusion resulting almost every year in exceeding the quota and in hardship to many aliens who are anxious to be admitted to the United States.

While the provisions in the House amendment relating to nonquota immigrants would permit the admission of some refugees provided for in the Senate bill, the terms of the amendment are believed to be so restrictive as to exclude many Armenians who would be permitted to enter under the Senate bill.

With the end of the session near at hand, with business in both Houses of Congress greatly congested, and with the ship subsidy bill before the Senate under conditions known to exist, it is likely that if the House persists in its amendment all legislation will fail. This would be a calamity.

The correct course would seem to be to pass the Senate bill with amendments relevant to its provisions, and they relate to the relief of refugees. In all probability they can be disposed of without objection in either House, if the subject can only be brought before the House for action. The general subject of immigration is of importance. It does require consideration and action, but there are such conflicting views respecting it that little probability exists that a general immigration bill can be passed prior to March 4. It would be pitiable, almost criminal, in view of the conditions in Smyrna, to fail to take some action for the protection or relief of these unfortunate people.

There has been brought to my attention by Mr. Theodore Bortoli, formerly of Smyrna, the details of incidents affecting himself and coming within his personal observation that are horrifying beyond expression.

Mr. Bortoli six months ago was one of two brothers operating the largest business in Smyrna, engaged in the manufacture of the famous Smyrna rugs. Their investment was the equivalent of \$25,000,000. Their property was seized and destroyed, their mother brutally slain in the presence of Theodore Bortoli, his brother beaten until he became insane and died. His two sisters, 17 and 19 years of age, committed suicide to save their persons from forcible defilement. The sole survivor of their family, his fortune gone, his relatives needlessly and ruthlessly murdered, Bortoli came to the United States November 20, 1922, for safety and in the hope that he could render some service to the cause of humanity and alleviate the suffering which curses the Christian population of Smyrna.

Let me read the simple tragic story as told by Theodore Bortoli himself:

STATEMENT PREPARED BY MR. THEODORE BORTOLI, FORMERLY OF SMYRNA.
PREFACE AND PERSONAL NOTE.

The statements herewith submitted will have weight only to the extent, of course, that I personally am known and am responsible. Therefore I beg leave to say that I am of Italian birth, my father and mother both being Italians. I am 27 years of age. I was born in Smyrna, but under the conventions my Italian citizenship is recognized by all Governments. I was admitted into the United States upon bond, being my own recognizance, on the 20th of November, 1922. My father was engaged in the manufacture of the famous Smyrna rugs. My brother and myself were conducting this business up to six months ago under the name of the Smyrna Carpet (Ltd.), Bortoli Bros., with factories located at Smyrna. Our capital investment represented 5,800,000 Turkish pounds.

This, as I have already said, is the equivalent of approximately \$25,000,000 of American money.

We were the largest manufacturers and exporters of Smyrna rugs. My property is destroyed. My mother was murdered, being shot through the head in my presence. My brother was beaten and bruised to such an extent that subsequently he became insane and died, and my two sisters, 17 and 19 years of age, after barricading themselves in their villa, died by their own hands for fear of outrage and to protect their honor. I am the sole survivor of that family, and I came to America in the hope that I could do something to prevent a recurrence of so terrible a disaster as I have experienced and lived through. The former American consul, Mr. George Horton, who lived at Smyrna, knows me personally, and will vouch for the fact that I am one of the firm of Bortoli Bros., formerly located at Smyrna. Immediately upon coming to this country I took out my first papers and hope to become a citizen of the United States. The following is a statement of the facts as I know them:

Upon the 26th day of August the Turkish Army started its advance from their base, which was about 400 kilometers from Smyrna. On the 7th of September the Greek Army, after suffering reverses, embarked from Smyrna and left the city. On the 9th of September the Turkish Army entered Smyrna. Shortly after their entry into the city the Turkish officials took the bishop of the Greek Church to the State House. I saw him being taken through the streets. While he was passing in the car the Turkish populace wanted to stop the car, brandishing knives and revolvers, but the Turkish officer said that the man was under arrest, that he had been sentenced by the national government and that he would be punished. The bishop was shot by a firing squad and after the shooting was done the body was attached by the neck to a motor car and the motor car was driven through the Turkish quarters and the body of the bishop was cut to pieces by the Turkish populace. I saw that personally. They also executed another Greek.

After these executions things were quiet for two days and we hoped that nothing else would happen, because we had lived in Smyrna very quietly under the Turks; but we found the Turkish army of a different kind from the previous Turks we had known. There is a distinction between the European Turk and the Turk of the interior. On the second day they started going through the Armenian quarter, visiting houses and rapping on doors. After the first visit there was another squad which passed through, firing bullets and massacring the people and setting fire to their houses. When the Armenians saw these things going on they went to their church, the Church of St. Stephano, and the Turks went immediately after them and asked them to surrender. The Armenians refused and said, "We will yield to the Allies, but not to you." I am sorry to say that the Turks fetched French and Italian officers—that is, men in the uniforms of French and Italian officers—and, knowing the friendship of the French and Italians for the Turks, the poor Armenians thought they were safe and they surrendered. I can not say the exact number, because for a man who has seen the horrors that I have seen there is no definite recollection; but immediately there were about 60 of them killed, and then the Turks immediately entered into the church and put petroleum in the church and set fire to it, and all the Christians were burned alive.

We thought the Italians would protect their citizens. That first day I was very near the church and I saw the fire beginning in the church and I saw the flames coming out of the church. I am telling you just what I saw. I heard many more things, but I am just telling you what I saw. This was from the 11th to the 13th. Then we came to the date of the 13th. On the 13th anyone passing on the streets was stopped and robbed. The Turks said they wanted gold money, and if the people did not have enough they would kill them. There is one thing to be said—there were irregulars, but those irregulars were in the minority and the regular soldiers were in the majority, because for one irregular there were three regulars. On the 13th Mr. Horton, the American consul, seeing things going very badly, sought to unite his colony to help. Mr. Horton left Smyrna after doing all he could to unite his whole colony, and America may be thankful to him. On the 13th Mr. Horton left at 6 o'clock in the evening. I have thus far stated the little things, but now the big things started. At 2 o'clock on the morning of the 13th—from morning until midnight—the water front was filled with refugees—about 500,000 of them. The French and English and Italians had disembarked their marines to protect the refugees as much as they could. We were, as a matter of fact, just in front of the water. We had a line of English, French, Italian, and American marines, but that protection was absolutely nil. The Turks would come in groups and take a child or take a girl and massacre her, and take everything in front of this line, and they were not able to protect them. They could not stop a Turk when he would come and get a girl from the interior of the crowd. The marines were lined up in front of us and the Turks would take a girl or a woman from the crowd. The Turks would walk past the marines in the crowd and take women or girls away, and I myself saw 15 or 20 girls have their heads cut off as you would cut off the head of a chicken. I do not know how many hundreds fell into the water.

From the families of Smyrna there is not maybe a single family where there will not be a brother or a sister or a father or a mother who was killed. This statement has been made that the Greeks set fire to the city. At 2 o'clock on the morning of the 13th I personally saw Turks in a motor lorry sprinkling petroleum over the cadavers and through the city, and after a little I saw the flames going up from one part of the water front to another. Those were Turks sprinkling the petroleum. I am only telling you what I saw and what I know. I will not say any lie.

Outside of the destruction of Smyrna—while the nations were represented there, they could not assist, but they could have avoided the massacres that were going on outside of Smyrna. On the 14th, in the morning, when I saw there was a possibility of taking my mother to the passport office, and I sought to embark here, I do not know whether the Turks fired on me or my mother or anybody else, but the fact is that they struck her in the head and she died.

My sisters lived in Boudja and I tried to get them, and a more horrible thing was in store for me. I went to the house where my sisters lived, and when I went in I found my sisters lying dead with their revolvers beside them.

An old servant told me that she had escaped by hiding, and that my sisters shot themselves to protect their honor. The Turks then robbed the house. They also robbed the American consulate. They robbed everyone. I left Smyrna without even a shirt.

Smyrna is a city of 370,000 population normally, but a great many had come in from the countryside, and on the 13th of September the water front was filled with refugees, probably 500,000 people all told.

All the male population between 17 and 45 were herded together by the Turks and taken into the interior.

The poor people who escaped from Smyrna and other portions of the Ottoman Empire are now scattered through Greece and the islands and

number probably 1,200,000. Their condition is terrible. They had to leave without any property. Families have been separated. They have no means of support. They are herded together under conditions that are horrible to describe.

I am a member of the committee of the Near East refugees. My sole purpose in this situation is to try to help the poor people who have suffered as I have suffered.

There are many citizens in the United States who among these refugees have a father, mother, brother, or sister, whom they would like to help. It would be a humanitarian thing if the United States could permit, through its immigration law, these poor people to come to be taken care of and to be started in life again by their relatives in this country.

The Senate has passed a bill looking to permitting Armenian refugees to enter this country beyond the quota allowed by law. When this bill went to the House it was considered by the committee, and the House Committee on Immigration has held extensive hearings and have substituted a complete immigration measure in lieu of the bill as passed by the Senate.

While this bill does not give all of the relief that we had hoped to get, still it does permit fathers, mothers, brothers, and sisters of American citizens, under proper bond and under proper restrictions, to enter the United States.

There is a substantial prospect that the Rules Committee will permit this bill to be voted upon and passed by the House early next week.

The only hope of passing this legislation is that the report of the conferees will approve of the House substitute.

Unless permission is given by this Congress for the entry into the United States of fathers, mothers, sisters, and brothers of American citizens who are refugees in this horrible situation many thousands of them will die. The relief needed is now. If we have to wait until the next session of Congress relief will be too late.

Here is a copy of a telegram received from Dr. Esther Lovejoy, who is chairman of the American women's hospitals, which describes conditions.

I will read the telegram later.

In the name of humanity, my dear Senator, I hope that you and your distinguished conferees in the Senate can do something to bring about this relief before it is too late.

THEO. BORTOLI.

This and other equally amazing facts, which I do not at this time publish, brought to my attention by Mr. Bortoli and others have prompted me to appeal to the Congress for action in behalf of these oppressed people. We can pass the Senate bill, and I hope that no one will insist upon a course which will defer action upon relief legislation until the next Congress.

In the hope that the emergency feature of this legislation may be cleared of confusion and every obstruction to its passage removed, it is suggested that paragraphs A and B of section 4 of the House amendment be modified so as to liberalize the provisions in important features, and section 8 of the House amendment which relates to the manner of carrying out the relief features of the act be adopted, if it appears that general immigration legislation can not be enacted, which seems highly probable. Otherwise the bill, as it passed the Senate, should be passed with relevant amendments. I will publish at the conclusion of my remarks the measure as it would read if this proposal should be enacted. (See Appendix.)

If relief for the refugees can be passed during the present Congress and the general immigration law revised, as proposed in the House amendment, I have no objection. It would seem calamitous, however, to permit a condition to arise resulting in no legislation, thus dooming the hopes of a people whose present condition is expressed in a telegram from Dr. Esther Lovejoy, of the American Hospitals Association, dated February 14, 1923, and referred to in the statement which I have read submitted by Mr. Bortoli:

[Copy of telegram received February 14, 1923, by Mr. Theodore Bortoli from Dr. Esther Lovejoy.]

Refugee conditions indescribable. People, mostly women and children, without a country. Rejected of all the world. Unable to speak Greek language. Herded and driven like animals from place to place. Crowded into damp holes and hovels. Wet, cold, hungry, sick; suffering very great. Mercy of immediate death withheld. Greece willing, but utterly unable to cope with conditions. Outlook here hopeless. Wretched people anxious to return to Anatolia any terms. Death by violence preferable to death from cold, hunger, or disease. Help from America only hope.

LOVEJOY.

In addition to this the Senate Committee on Foreign Relations should ascertain the status of affairs in Smyrna, particularly as they affect Americans there. The former American consul, Mr. George Horton, whom I am told was compelled to leave the consulate, can be summoned before the committee and directed to tell what he knows of conditions and incidents in Smyrna as they relate to helpless Armenian men, women, and children, and particularly as they affect citizens of the United States. It is possible that some plan may be adopted which will save Christian civilization from the disgrace of seeming to withhold helpful sympathy from the victims of Turkish cruelty.

Is the Committee on Foreign Relations informed as to events, comparatively recent, in Turkey affecting the Government of the United States?

What is the condition of the building in Smyrna formerly occupied by the American consular staff? If it has been de-

stroyed, when was that done, by whom, and what were the circumstances?

Has cruelty been inflicted on American sailors or marines; and if so, when, by whom, and to what extent?

What action has been taken by the Executive to protect American citizens from injury and death, and what action has been taken to protect the American flag from insult?

The delicacy as well as the vital importance of these questions is apparent. There is no disposition to provoke rash action or to inflame public feeling. Certainly, everyone must realize the necessity for caution, both in discussing and in dealing with international conditions admittedly tense and irritating.

Whatever may be the details, the world knows that all forms of violence, both to persons and property—arson, robbery, torture, rape, and murder—have converted Smyrna and its vicinity into a realm where brutal barbarism is supreme. The least that the United States can do is to afford refuge for the oppressed, and to act quickly. To delay the consideration and passage of the Armenian refugee bill to consider measures like the ship subsidy or general immigration legislation seems to me unjustifiable, not to say unpardonable. The sentiment of a Christian Nation revolts at the thought that the Congress of the United States should pursue a policy of indifference and hesitation respecting such a subject. The people are hopeful now that we will act promptly and effectively. They will be righteously indignant if we fail and leave Armenian Christians to a fate pitiable beyond the power of the imagination to conceive or the tongue to describe.

APPENDIX.

A bill (H. R. 14273) to limit the immigration of aliens into the United States.

Be it enacted, etc., That this act may be cited as the "relief immigration act of 1923."

(1) "Refugee" shall mean any person who has fled from his home since the 1st of October, 1921, and was resident prior to fleeing from his home in (a) the territory belonging to Turkey as defined by the treaty of Sevres, or (b) other territory occupied by Turkish military or civil authorities since October, 1920.

(2) "Relative" shall mean a husband, wife, parent, grandparent, brother or sister, child, grandchild orphan niece or nephew, aunt or uncle by blood.

(3) The singular shall include the plural, and the masculine shall include the feminine.

SEC. 2. That any person resident within the United States who is either a citizen of the United States or who has made application for citizenship may petition the Commissioner General of Immigration for the admission into the United States of any relative who is a refugee.

SEC. 3. (1) That the petition for admission must contain: (a) The name and address of the petitioner; (b) if a citizen, the date and place of his admission to citizenship and number of certificate, or if a declarant, the date and place of his declaration of intention and number of declaration; (c) the name and address of his employer or the address of his place of business or occupation if he is not an employee; (d) the degree of relationship of the person for whom the application is made and the name of the place where such person was resident prior to fleeing from his home and the place where such person is seeking shelter at the time the application is made, if known to him; (e) a statement that he is able to and will support the person for whose admission the application is made, so that he shall not become a public charge; (f) a statement that the person for whose admission the application is made is homeless at the time of making the application, to his best information and belief.

(2) The petition must be made under oath before any person having the power to administer oaths and must be supported by any documentary evidence required by regulations issued under this act.

(3) Application may be made in the same petition for admission of more than one person.

SEC. 4. That the petition must be accompanied by the statements of two responsible citizens of the United States, to whom the petitioner is known, that to the best of their knowledge and belief the statements made in the petition are true, and that the petitioner is a responsible person, able to support the refugee or refugees for whose admission application is made. These statements must be attested in the same way as the petition.

SEC. 5. (1) That on the receipt of any petition the Commissioner General of Immigration shall make such inquiries as to him may seem necessary, either in the United States or in any foreign country, to establish the truth of the statements made in the petition or in the accompanying statements.

(2) Any consul or consular officer of the United States shall give such aid to the Commissioner General of Immigration in carrying out this act as his other duties permit.

(3) Any consul or consular officer of the United States shall give such aid to the Commissioner General of Immigration, in carrying out this section, by making such inquiries or taking such depositions within the judicial district of his court as his other duties permit.

SEC. 6. That there shall be received as evidence of the residence of a refugee: (a) An extract from any birth registry kept by a civil or ecclesiastical authority or any official registry certifying to the fact of his residence; (b) the official statements of an agent of any corporation organized for philanthropic purposes under the laws of the United States or any State thereof engaged in the relief of refugees and affiliated with any committee appointed by the President for Near East relief, if the agent is delegated by his organization for the purpose.

SEC. 7. That if the Commissioner General of Immigration shall find the facts stated in the petition to be true, the refugees named in the petition shall be admitted to the United States; except that in case of an uncle or aunt by blood the commissioner general may, in his

discretion, refuse admission if he believes that the refugee can be provided for elsewhere than in the United States.

SEC. 8. That any refugee who has been permitted by the immigration authorities of the United States to land temporarily shall be finally admitted if a petition be filed and approved as provided herein in respect to such alien.

SEC. 9. That refugees whose admission is authorized under this act shall be admitted, subject to the immigration laws of the United States, except that the act approved May 19, 1921, entitled "An act to limit the immigration of aliens into the United States," shall not be applied to them, and they shall not be included in estimating the quota established under such act of alien immigrants of the nationality to which they belong who may be admitted to the United States.

SEC. 10. That the Commissioner General of Immigration, with the approval of the Secretary of Labor, shall prescribe rules and regulations necessary to carry this act into effect.

SEC. 11. That any person who knowingly and fraudulently aids in any way to secure the admission under this act of a refugee not properly admissible under it shall be punished by a fine not exceeding \$1,000 or by imprisonment for a term of not exceeding one year, or both.

SEC. 12. That this act shall take effect upon its enactment and shall continue in force till June 30, 1924, but no refugee shall be admitted under its terms after June 30, 1924, except those for whose admission petition has been filed previous to that date.

SEC. 13. That this act may be cited as the Near East refugee act of 1922.

Mr. LODGE. Mr. President, I have listened to what has been said by the Senator from Arkansas, and I agree entirely with him that the Senate bill for the relief of the Armenians and, perhaps, the additional liberalization of the law proposed by the other House, if it could be added to it, should be passed; but certainly the resolution we passed ought to go through. We must have a revision of the immigration laws, which is, however, a wholly different question but a very important one. I have for many years labored for the proper regulation and restriction of immigration. A bill for that purpose must come before us, if not now then in the next Congress, and be dealt with; but the bill looking to that end now pending in the House is a long and important measure which will require debate. We have only a little more than a week ahead of us, and if such a bill be attached to the Armenian resolution that resolution will fail because there will be no time in which to consider and pass it.

I feel very strongly on the matter, and I very earnestly hope that the House of Representatives may be willing to send us the bill which has been described by the Senator from Arkansas, certainly that they will send us the Armenian bill which we have passed in this body, and if possible the other measure. It ought not be encumbered, however, with general immigration legislation at this time. If we are to perform an act of humanity, as I hope we are, to these poor hunted people, it should be done freely and quickly. "The quality of mercy is not strain'd." We ought not to do anything that will impede a noble purpose, as I think this to be.

So far as the condition of Americans in Smyrna is concerned, I know Mr. Horton, the consul, though I have not seen him recently, but I have known him quite well in past years. I know he is a very competent man. I think, however, that Americans and American rights have been fully protected there. We have had destroyers in those waters—I think 12 were sent from this country, and some are near Smyrna—but it will not be difficult for the committee to make an inquiry, and it will do so. In the meanwhile, however, the practical thing to do is to pass the Armenian bill that passed the Senate, if possible, with the provisions which the Senator has described added by the House, as I understand, simply liberalizing the laws a little. In any event, the Armenian bill ought to go through, and go through now, unencumbered by a great general measure which must pass, of course, in the future, which, I think, could not be dealt with in the week that remains.

FEDERAL USURPATION.

Mr. STANLEY. Mr. President, nearly two years ago there was pending in this body a bill purporting to interdict the use of brewed beverages for medicinal purposes. The importance to the public generally of either permitting or prohibiting the use of alcohol produced in that form for medicinal purposes was, in my humble opinion, less vital, infinitely less vital, than the preservation of rights and privileges hoary with the prescription of centuries. It was practically admitted, and that which was not admitted was left to plain inference, that in enforcing laws materially affecting the domestic and personal relations and habits of the citizen no constitutional safeguard, no common-law right, no privilege, however sacred or however sacredly maintained, was to be permitted to interfere with or to delay or prevent the enforcement of this particular act.

I called the attention of the Senate then to the fact that this was not an act to secure or prevent the use of brewed beverages as a stimulant or as a beverage, but as a medicine. I at some length at that time explained to the Senate the fact that the

execution of the law as drawn—inadvertently, I hope, but certainly carelessly drawn—overlooked those safeguards which had hitherto been thrown about legislation of that character. I proposed an amendment very similar to the amendments to acts passed during the war authorizing searches and seizures for certain purposes. This amendment was heartily indorsed by Senators whose devotion to the cause of temperance and to the cause of prohibition could not be questioned, by men who, in season and out of season, during their whole public lives have never failed to vote for any measure designed to regulate or to prohibit the use of alcoholic beverages.

That amendment passed the Senate by unanimous vote, and later the question came up of supporting the conferees of the Senate in their disagreement with the conferees of the House. Again it passed without a dissenting voice. For some reason which I am not disposed at this time to discuss, and which it is not necessary that I should discuss at any great length, that amendment was defeated; and the effect of the whole argument justified the inference, and the effect of the attitude of the opponents of that amendment was to notify the country, that any power, any authority necessary to the enforcement of the act would be assumed, whether it was in accord with or in derogation of the solemn provisions of the Constitution of the United States.

Mr. President, without regard to the merits of that act, I can not without serious and painful apprehension view the attempt on the part of officers of the law to disregard these solemn injunctions. I can not without the gloomiest forebodings for the safety and happiness of my country behold a deliberate usurpation and a deliberate exercise of tyrannical power solemnly interdicted by the Constitution of my country, the invasion of rights hoary with the proscription of centuries, maintained by our heroic fathers, by Continental heroes who fought for those rights 15 years before they raised the standard of rebellion to the mother country.

On the 22d of this month the Senate solemnly listened to the golden words of wisdom of its greatest citizen, its loftiest patriot, its sage adviser, to the most solemn words and the last solemn words uttered by him who was, "First in war, first in peace, first in the hearts of his countrymen"; and I felt deep in my heart an earnest wish that he might return from the abodes of rest to the scenes in which he was once an inspiring figure, and in person utter again the solemn admonitions of his Farewell Address.

I recall these words:

This Government, the offspring of our own choice, uninfluenced and unawed, adopted upon full investigation and mature deliberation, completely free in its principles, in the distribution of its powers, uniting security with energy, and containing within itself a provision for its own amendment, has a just claim to your confidence and your support. Respect for its authority, compliance with its laws, acquiescence in its measures are duties enjoined by the fundamental maxims of true liberty. The basis of our political systems is the right of the people to make and to alter their constitutions of government. But the constitution which at any time exists, until changed by an explicit and authentic act of the whole people, is sacredly obligatory upon all. The very idea of the power, and the right of the people to establish government, presuppose the duty of every individual to obey the established government.

And again:

If, in the opinion of the people, the distribution or modification of the constitutional powers be in any particular wrong, let it be corrected by an amendment in the way which the Constitution designates. But let there be no change by usurpation, for though this, in one instance, may be the instrument of good, it is the customary weapon by which free governments are destroyed. The precedent must always greatly overbalance in permanent evil any partial or transient benefit which the use can at any time yield.

Since the death of George Washington no man has more powerfully appealed to the hearts and affections of the American people than that rugged, gentle, patient figure, Abraham Lincoln; and I say it as a southern man. This sentiment of reverend regard for the Constitution, this abhorrence of the usurpation by Federal officers or Federal powers not warranted by that Constitution, or interdicted by it, retained its place in the hearts of wise patriots from the day Washington was inaugurated until the hour Abraham Lincoln reaffirmed the solemn adjuration. In his first inaugural Lincoln said:

It is my duty and my oath to maintain inviolate the right of the States to order and control under the Constitution their own affairs by their own judgments exclusively. Such maintenance is essential for the preservation of that balance of power on which our institutions rest.

Until the last decade, until a few short years ago, any Congressman, any Senator, any judge, who for any purpose, to attain any end, however desirable; to enforce any law, however vital to the life or happiness of his country, had proposed a bold act of naked, indefensible usurpation, would have met the fixed finger of scorn in this body, and that sentiment but a few years ago was reflected by the leader of the majority,

the senior Senator from Massachusetts [Mr. Lodge]. Said Mr. Lodge in a recent utterance:

Our forefathers founded a limited Government. The movement of to-day and the various measures of a socialistic kind extending governmental activities are breaking down those constitutional limitations and are intended to do so. It is well for us to stop and consider whether it is wise to destroy the Government which Washington founded and which Lincoln saved.

While my warning of two years ago fell upon deaf ears in the Senate, while it invoked scorn, and a sarcastic innuendo that I was camouflaging behind the Constitution in order to aid a nefarious business; while it met the sneer that "Such talk might be welcome to moonshiners and bootleggers, but as far as we, the self-constituted keepers of the consciences of the American people, are concerned we will do as we please with the Constitution; we will override the right of immunity from search and seizure, the writ of habeas corpus, and the right of trial by jury, or any other safeguard, even the sanctity of the home; no person shall stand in the way of any bailiff we may commission, and we refuse to impose any penalty for a violation of any part of the Constitution except the eighteenth amendment." That was the challenge; that was the statement; that was the bold, brazen position of those who denounced me for a simple proposal that a reasonable penalty be imposed upon officers who, in the enforcement of one law, violated one or more of the solemn provisions of the Constitution of the United States.

I am gratified to know that while my words were vain here they have found an echo elsewhere. I am delighted to know that that echo is not partisan, that it is not confined to North or South, or East or West, to Democrat or to Republican. The great first governor of Oklahoma, who in 1908 broke temporarily with the nominee of the national Democratic convention because he desired to put a stronger expression into the Democratic platform against the liquor traffic than even the nominee would accept, a champion not only of temperance but of prohibition, on more than one occasion has lent his powerful and eloquent voice to the cause of liberty, and has demanded that in the enforcement of any law every officer should respect the Constitution of his country, has denounced in unmeasured terms the wanton extravagance of paternalism gone mad and the centralization of power bursting headlong through every limitation erected by a hundred years of free government.

The speeches of Charles N. Haskell ring like a clarion call to the lovers of constitutional liberty all over America. Not less emphatic are similar statements by Gov. Frank O. Lowden, who as the governor of a great State has deserved the commendation of his country and who many thought would be the nominee of this party for the Presidency of the United States.

This protest, this apprehension which aroused so much opposition and invited so many sneers, sarcasm, and diatribes in the Senate of the United States has, thank God, found an echo. But yesterday a notable utterance was made in the State of Ohio by the president of the greatest university on the reeling earth, with its 30,000 matriculates, a man whose advocacy of the cause of temperance no temperance man can question; who wrote into a party platform the first dry resolution ever passed in New Jersey; who led gallantly the fight against the saloon as long as there was a saloon in his State; whose private life and whose Christian character are above question. At the head of that great institution no political office can tempt him and calumny will not charge, because calumny does not even dream, that Nicholas Murray Butler is the superserviceable tool of the liquor interests. Yet he, in a great address on law and lawlessness, has given additional weight to this timely warning to get back to the Constitution and to respect the rights of the citizen.

Yea, more, Mr. President, here in the city of Washington last Sunday, on a great and historic occasion, the leading bishop of the Episcopal Church in the South, an orator without a superior in the pulpit of America in any church, in the presence of the President of the United States, foreign diplomats, and one of the most notable assemblies that ever gathered, on one of the most notable occasions in the history of this Capital, repeated the solemn warning which two years ago invited the contempt and the sarcasm of Senators.

I quote from the Washington Post of February 19. If I had said these things I would be burned in effigy. The article reads: REFORMERS WEAKEN LAW, BISHOP AVERS—FOSTER DISRESPECT FOR IT BY CURBING LIBERTY—PRESIDENT IN AUDIENCE—HIGH OFFICIALS HEAR THE RIGHT REVEREND GAILOR EXTOL WASHINGTON—WARNS OF RISING DISCONTENT—NATION DAILY SEES NEW ONSLAUGHTS ON PERSONAL FREEDOM, LAWS PROPORTIONATELY LOSE RESPECT, AND COURTS FALL INTO DISREPUTE, HE ASSERTS—POINTS TO LEGACIES FROM WASHINGTON IN A PLEA FOR RELIGION IN EDUCATION—SAYS THAT WARS HAVE BEEN BENEFICIAL.

Reformers and lawbreakers seem to be in a conspiracy to bring the law into disrepute and the courts into disrepute, the Right Rev. Thomas F. Gailor, bishop of Tennessee, declared yesterday in the course of a sermon at the services of the Sons of the Revolution in commemoration of the birth of George Washington,

Read the Farewell Address of Washington, and, oh, how appropriate was the utterance of this great man of God, who loves the liberties of his country better than the success of a faction or a propaganda. I continue reading from the Post article:

High Government officials, including President Harding and members of the diplomatic corps, thronged St. Johns Church to hear the bishop. Not only is there a widespread disrespect for the law, but this condition is to be blamed alike on the criminals and "those who gather into groups to advance special legislation favorable to them," the speaker declared.

PERSONAL LIBERTY INVADED.

"The supremacy of law and the preservation of the individual liberties of our citizens are parts of America's old traditions which we do not seem to have realized," said Bishop Gailor. "Not only has discontent with the laws become more or less general, but daily we see the individual liberties of our citizens further curtailed and restricted. The formation of certain small groups to favor certain laws which they themselves may believe to be right has exaggerated this disrespect for the law rather than promoted in the minds of our citizens the sanctity of the law and the proper respect for our governmental institutions."

MUST SEEK UNITED OPINION.

"We are losing sight of the importance of the bedrock upon which our Government is founded," the bishop declared. "Public opinion is being so molded by a few," he continued, "that it is persistently interfering with personal liberty."

"Any measure which tends in any way to reduce individual liberty should be very carefully considered before it is put into effect."

I did not ask for a careful consideration of the bill. I simply asked that a measure restricting personal liberty, a measure authorizing an officer to enter the home, should require that officer to regard the Constitution when he entered it, and they said I was an incendiary and an advocate of intemperance.

Such measures should be based not on the opinion of a group but on the whole united opinion of the public.

Patriotic impulses and loyalty to the State do not interfere with the Christian idea of the brotherhood of man, the bishop said. The church has no desire to curtail the patriotism of its members, but on the contrary encourage that patriotism.

AMENDMENT OF WAR RISK INSURANCE ACT (S. DOC. NO. 308)— CONFERENCE REPORT.

Mr. McCUMBER. Mr. President, I ask unanimous consent to submit a conference report on House bill 10003, and ask for its immediate consideration and adoption.

The PRESIDING OFFICER (Mr. Willis in the chair). Is there objection to the request of the Senator from North Dakota? The Chair hears none, and the report will be read.

The report was read, as follows:

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H. R. 10003) to further amend and modify the war risk insurance act, having met, after full and free conference have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate to the bill (H. R. 10003) to further amend and modify the war risk insurance act, and agree to the same with an amendment as follows: In lieu of the matter inserted by the amendment of the Senate insert the following:

"SEC. 23. (1) That, except as provided in subdivision (2) of this section, when by the terms of the war risk insurance act and any amendments thereto, any payment is to be made to a minor, other than a person in the military or naval forces of the United States, or to a person mentally incompetent or under other legal disability adjudged by a court of competent jurisdiction, such payment shall be made to the person who is constituted guardian, curator, or conservator by the laws of the State or residence of claimant, or is otherwise legally vested with responsibility or care of the claimant or his estate: *Provided*, That prior to receipt of notice by the United States Veterans' Bureau that any such person is under such other legal disability adjudged by some court of competent jurisdiction, payment may be made to such person direct: *Provided further*, That for the purpose of payments of benefits under article 3 of the war risk insurance act, as amended, where no guardian, curator, or conservator of the person under a legal disability has been appointed under the laws of the State or residence of the claimant, the director shall determine the person who is otherwise legally vested with responsibility or care of the claimant or his estate.

"(2) If any person entitled to receive payments under this act shall be an inmate of any asylum or hospital for the insane maintained by the United States, or by any of the several States or Territories of the United States, or any political subdivision thereof, and no guardian, curator, or conservator of the property of such person shall have been appointed by competent legal authority, the director, if satisfied after due inves-

tigation that any such person is mentally incompetent, may order that all moneys payable to him or her under this act shall be held in the Treasury of the United States to the credit of such person. All funds so held shall be disbursed under the order of the director and subject to his discretion either to the chief executive officer of the asylum or hospital in which such person is an inmate, to be used by such officer for the maintenance and comfort of such inmate, subject to the duty to account to the United States Veterans' Bureau and to repay any surplus at any time remaining in his hands in accordance with regulations to be prescribed by the director; or to the wife (or dependent husband if the inmate is a woman), minor children, and dependent parents of such inmate, in such amounts as the director shall find necessary for their support and maintenance in the order named; or, if at any time such inmate shall be found to be mentally competent, or shall die, or a guardian, curator, or conservator of his or her estate be appointed, any balance remaining to the credit of such inmate shall be paid to such inmate, if mentally competent, and otherwise to his or her guardian, curator, conservator, or personal representatives."

And the Senate agree to the same.

P. J. McCUMBER,
REED SMOOT,
JOHN SHARP WILLIAMS,
Managers on the part of the Senate.
BURTON E. SWEET,
W. J. GRAHAM,
SAM RAYBURN,
Managers on the part of the House.

Mr. ROBINSON. What is the proposal, Mr. President?

The PRESIDING OFFICER. The reading clerk has just read the report.

Mr. McCUMBER. It is a conference report on the amendment of the war risk insurance act.

Mr. ROBINSON. But what is the request?

The PRESIDING OFFICER. A request has been made for unanimous consent for the immediate consideration of the conference report.

Mr. ROBINSON. Let it go over.

Mr. McCUMBER. Very well. Then I simply present the report.

The PRESIDING OFFICER. The report will be printed, and lie on the table.

MESSAGE FROM THE HOUSE.

A message from the House of Representatives, by Mr. Overhue, its enrolling clerk, announced that the House had passed without amendment the following bills of the Senate:

S. 726. An act for the relief of George Emerson;
S. 1516. An act for the relief of Lewis W. Flaunlacher;
S. 1670. An act for the relief of Buffkin and Girvin;
S. 2168. An act for the relief of Jesse C. Dennis and William Rhett Eleazer;
S. 2323. An act for the relief of Anna M. Tobin, independent executrix of the estate of Frank R. Tobin, deceased;
S. 2746. An act for the relief of William Howard May, ex-marshal of the Canal Zone; William K. Jackson, ex-district attorney of the Canal Zone; and John H. McLean, ex-paymaster of the Panama Canal, now deceased;
S. 2934. An act to provide for the issuance to John W. Stanton by the Secretary of the Interior of patent to certain land upon payment therefor at the rate of \$1.25 per acre;
S. 3154. An act for the relief of C. M. Rieves; and
S. 4028. An act for the relief of John N. Halladay.

The message also announced that the House had passed the following bills of the Senate, each with an amendment, in which it requested the concurrence of the Senate:

S. 1405. An act for the relief of William Collie Nabors;
S. 2984. An act for the relief of Thurston W. True; and
S. 3594. An act for the relief of Anton Rospotnik and the exchange of certain lands owned by the Northern Pacific Railway Co.

The message further announced that the House had passed the bill (S. 2632) to correct the military record of Martin Cletner, with amendments, in which it requested the concurrence of the Senate.

The message also announced that the House had passed bills and a joint resolution of the following titles, in which it requested the concurrence of the Senate:

H. R. 1252. An act for the relief of John A. Douglas;
H. R. 6601. An act for the relief of the Great Lakes Engineering Works;

H. R. 7267. An act granting permission to Mrs. R. S. Abernethy, of Lincolnton, N. C., to accept the decoration of the bust of Bolivar.

H. R. 8051. An act for the relief of the Commonwealth & Dominion Line (Ltd.), owner of the British steamship *Port Phillip*;

H. R. 8291. An act for the relief of Trygve Kristian Lode;

H. R. 10177. An act for the relief of Sherman Miles;

H. R. 10825. An act for the relief of the heirs, assigns, and legal representatives of Thomas Johnson;

H. R. 12751. An act to convey to the Big Rock Stone & Construction Co. a portion of the hospital reservation of United States Veterans' Hospital No. 78 (Fort Logan H. Roots), in the State of Arkansas;

H. R. 13004. An act authorizing the Secretary of War to lease to the Kansas Electric Power Co., its successors and assigns, a certain tract of land in the military reservation at Fort Leavenworth;

H. R. 13024. An act for the relief of August Nelson;

H. R. 13612. An act authorizing the issuance of patent to the legal representatives of Miles J. Davis, deceased;

H. R. 13614. An act for the relief of Wyatt A. Marshall;

H. R. 13617. An act to dissolve the Colored Union Benevolent Association, and for other purposes;

H. R. 13724. An act for the relief of Hugh Marshall Montgomery;

H. R. 13751. An act authorizing the Secretary of the Interior to sell and patent certain lands to Robert E. Wyche, a resident of Caddo Parish, La.;

H. R. 13903. An act for the relief of the New York State Fair Commission;

H. R. 14028. An act for the relief of Joseph H. Lokken;

H. R. 14082. An act to authorize the Valley Transfer Railway Co., a corporation, to construct and operate a line of railway in and upon the Fort Snelling Military Reservation in the State of Minnesota;

H. R. 14089. An act granting six months' pay to Harriet B. Castle;

H. R. 14183. An act to authorize the Secretary of the Treasury to sell a portion of the Federal building site in the city of Duquoin, Ill.;

H. R. 14249. An act for the relief of the owners of the American schooner *Mount Hope*;

H. R. 14317. An act granting permission to Capt. Norman Randolph, United States Army, to accept the decoration of the Spanish Order of Military Merit of Alfonso XIII; and

H. J. Res. 222. Joint resolution for the relief of Ramon B. Harrison.

HOUSE BILLS AND JOINT RESOLUTION REFERRED.

The following bills and joint resolution were severally read twice by title and referred as indicated below:

H. R. 13617. An act to dissolve the Colored Union Benevolent Association, and for other purposes; to the Committee on the District of Columbia.

H. R. 14089. An act granting six months' pay to Harriet B. Castle; to the Committee on Naval Affairs.

H. R. 14183. An act to authorize the Secretary of the Treasury to sell a portion of the Federal building site in the city of Duquoin, Ill.; to the Committee on Public Buildings and Grounds.

H. R. 7267. An act granting permission to Mrs. R. S. Abernethy, of Lincolnton, N. C., to accept the decoration of the bust of Bolivar; and

H. R. 14317. An act granting permission to Capt. Norman Randolph, United States Army, to accept the decoration of the Spanish Order of Military Merit of Alfonso XIII; to the Committee on Foreign Relations.

H. R. 6601. An act for the relief of the Great Lakes Engineering Works;

H. R. 8051. An act for the relief of the Commonwealth & Dominion Line (Ltd.), owner of the British steamship *Port Phillip*;

H. R. 13903. An act for the relief of the New York State Fair Commission; and

H. R. 14249. An act for the relief of the owners of the American schooner *Mount Hope*; to the Committee on Claims.

H. R. 8291. An act for the relief of Trygve Kristian Lode;

H. R. 10825. An act for the relief of the heirs, assigns, and legal representatives of Thomas Johnson;

H. R. 13024. An act for the relief of August Nelson;

H. R. 13612. An act authorizing the issuance of patent to the legal representatives of Miles J. Davis, deceased;

H. R. 13614. An act for the relief of Wyatt A. Marshall;

H. R. 13751. An act authorizing the Secretary of the Interior to sell and patent certain lands to Robert E. Wyche, a resident of Caddo Parish, La.; and

H. R. 14028. An act for the relief of Joseph H. Lokken; to the Committee on Public Lands and Surveys.

H. R. 1252. An act for the relief of John A. Douglas;

H. R. 10177. An act for the relief of Sherman Miles;

H. R. 13004. An act authorizing the Secretary of War to lease to the Kansas Electric Power Co., its successors and assigns, a certain tract of land in the military reservation at Fort Leavenworth;

H. R. 14082. An act to authorize the Valley Transfer Railway Co., a corporation, to construct and operate a line of railway in and upon the Fort Snelling Military Reservation in the State of Minnesota; and

H. J. Res. 222. Joint resolution for the relief of Ramon B. Harrison; to the Committee on Military Affairs.

PUEBLO INDIAN LANDS.

Mr. LENROOT. Mr. President, I ask unanimous consent out of order to report favorably from the Committee on Public Lands and Surveys the bill (S. 3855) to ascertain and settle land claims of persons not Indian within the Pueblo Indian land, land grants, and reservations in the State of New Mexico.

Mr. ROBINSON. Mr. President, I am compelled to object.

Mr. LENROOT. Will the Senator withhold his objection for a moment while I make a statement?

Mr. ROBINSON. I object. The Senator will have ample opportunity to submit the report to-morrow.

Mr. LENROOT. But I want to get the bill on the calendar. It has been agreed upon. It is a measure of national interest, and we have come to a full agreement. I would not ask it if we were not a very exceptional case.

The PRESIDING OFFICER. Is there objection?

Mr. ROBINSON. I reserve the right to object. The Senator can make his statement.

Mr. LENROOT. Every Senator is aware of the conference that went on for several weeks concerning the Bursum bill, which was once passed by the Senate, recalled, and referred to the Committee on Public Lands and Surveys. The Committee on Public Lands and Surveys, through a subcommittee, held extensive hearings, running over, I think, three weeks. Parties came in from all over the country, made their full presentation to the committee, and finally a bill has been agreed upon that is satisfactory to all interested, and unanimously ordered to be reported.

Mr. ROBINSON. I do not wish to interrupt the Senator's statement further than to say that he can submit the report during the morning of to-morrow. An arrangement is already in contemplation to consider the calendar further on Monday.

Mr. LENROOT. Will the Senator withhold just a moment more?

Mr. ROBINSON. I withhold it.

Mr. LENROOT. The reason why I ask leave to submit the report now is that the bill is one which has attracted such widespread interest that I think Senators ought to have an opportunity to examine it before it is called up on Monday; and they will not have that full opportunity unless the report can be made to-day.

Mr. ROBINSON. I am compelled to object.

Mr. LENROOT. Very well.

Mr. ROBINSON. I will state now that there will be no unanimous consent granted this afternoon, and there need not be requests submitted, unless it is something of a peculiarly emergent nature. I do not want to discriminate between Senators, and I think under the present condition of business in the Senate no unanimous consent should be granted.

Mr. LENROOT. I simply want to say to the Senator that every day lost means that there will be no legislation at the present session of Congress on this very important subject.

Mr. ROBINSON. The session has been in progress a great while and the Senator can not convince me that this is a matter of such emergent importance that 10 hours will determine the fate of the measure. He can report the measure to-morrow.

Mr. LENROOT. It is a Senate bill and it is desired to get the bill through the House.

Mr. ROBINSON. I understand.

The PRESIDING OFFICER. The Senator from Arkansas objects.

PRESIDENTIAL APPROVALS.

A message from the President of the United States, by Mr. Latta, one of his secretaries, announced that the President had approved and signed the following acts and joint resolutions: On February 9, 1923:

S. 4029. An act to amend and supplement the act entitled "An act to incorporate the Texas & Pacific Railroad Co., and to aid in the construction of its road, and for other purposes," approved March 3, 1871, and acts supplemental thereto, approved, respectively, May 2, 1872, March 3, 1873, and June 22, 1874; and

S. J. Res. 12. Joint resolution authorizing the President to require the United States Sugar Equalization Board (Inc.) to take over and dispose of 13,902 tons of sugar imported from the Argentine Republic.

On February 10, 1923:

S. J. Res. 248. Joint resolution to provide for the payment of salaries of Senators appointed to fill vacancies, and for other purposes.

On February 12, 1923:

S. J. Res. 259. Joint resolution authorizing the President to abrogate the international agreement embodied in certain Executive orders relating to the Panama Canal.

On February 13, 1923:

S. 1016. An act to amend an act entitled "An act to repeal section 3480 of the Revised Statutes of the United States"; and S. J. Res. 226. Joint resolution authorizing the acceptance of title to certain land within the Shasta National Forest, Calif.

On February 14, 1923:

S. 1878. An act to permit the State of Montana to exchange cut-over timberlands granted for educational purposes for other lands of like character and approximate value;

S. 1926. An act to extend the provisions of the act of February 8, 1887, as amended, to lands purchased for Indians; and S. 3702. An act providing for the acquisition by the United States of privately owned lands situated within certain townships in the Lincoln National Forest, in the State of New Mexico, by exchanging therefor lands on the public domain also within such State.

On February 15, 1923:

S. 4169. An act granting the consent of Congress to the city of Aurora, Kane County, Ill., a municipal corporation, to construct, maintain, and operate a bridge across the Fox River;

S. 4260. An act to extend the time for the construction of a bridge over the Columbia River, between the States of Oregon and Washington, at a point approximately 5 miles upstream from Dalles City, Wasco County, in the State of Oregon;

S. 4288. An act to grant the consent of Congress for the special commission constituted by an act of the Legislature of Massachusetts to construct a bridge across the Merrimack River;

S. 4341. An act granting the consent of Congress to the Oregon-Washington Bridge Co., and its successors, to construct a bridge across the Columbia River at or near the city of Hood River, Ore.;

S. 4346. An act granting the consent of Congress to the Delaware State Highway Department to construct a bridge across the Nanticoke River;

S. 4353. An act granting the consent of Congress to the highway commissioner of the town of Elgin, Kane County, Ill., to construct, maintain, and operate a bridge across the Fox River; and

S. 4439. An act to revive and to reenact an act entitled "An act granting the consent of Congress for the construction of a bridge and approaches thereto across the Arkansas River between the cities of Little Rock and Argenta," approved October 6, 1917.

On February 17, 1923:

S. 2531. An act to create a board of accountancy for the District of Columbia, and for other purposes; and

S. 3169. An act to equalize pensions of retired policemen and firemen of the District of Columbia, and for other purposes.

On February 20, 1923:

S. 3721. An act providing for the erection of additional suitable and necessary buildings for the National Leper Home.

On February 21, 1923:

S. 1066. An act to authorize the Commissioners of the District of Columbia to close Piney Branch Road between Seventeenth and Taylor Streets and Sixteenth and Allison Streets NW., rendered useless or unnecessary by reason of the opening and extension of streets called for in the permanent highway plan of the District of Columbia; and

S. 3808. An act authorizing the Secretary of the Interior to investigate the feasibility of reclamation projects on the Columbia River and various other irrigation projects.

REPORT OF THE GOVERNOR OF PORTO RICO (H. DOC. NO. 602).

THE VICE PRESIDENT laid before the Senate the following message from the President of the United States, which was read and, with the accompanying papers and documents, ordered to be printed and referred to the Committee on Territories and Insular Possessions:

To the Congress:

As required by section 12 of the act of Congress approved March 2, 1917, entitled "An act to provide a civil government

for Porto Rico, and for other purposes," I transmit herewith, for the information of the Congress the Twenty-second Annual Report of the Governor of Porto Rico, together with the reports of the heads of the several departments of the Porto Rican Government for the fiscal year ended June 30, 1922.

I concur in the recommendation of the Secretary of War that this report be printed as a congressional document.

WARREN G. HARDING.

THE WHITE HOUSE, February 23, 1923.

REPORT ON RUSSIAN RELIEF (S. DOC. NO. 307).

The Vice President laid before the Senate the following message from the President of the United States, which was read and ordered to be printed, and, with the accompanying papers and documents, referred to the Committee on Appropriations: To the Congress of the United States:

I transmit herewith, for the information of the Congress, a report by the American Relief Administration of the disposition made of certain medicines, medical, surgical, and hospital supplies, which were transferred to said American Relief Administration by virtue of the provisions of the act of Congress approved January 16, 1922, for the relief of the distressed and famine-stricken people of Russia.

WARREN G. HARDING.

THE WHITE HOUSE, February 23, 1923.

A SHIP SUBSIDY—WILL IT BE ONE OF OUR NATIONAL BLUNDERS, AND WHY?

MR. LADD. Mr. President, I desire to discuss at this time at considerable length the question of a ship subsidy and to show why the measure as presented to Congress will be one of our national blunders, a natural outcome of a policy which has been permitted to lead us astray. I shall endeavor to show that the germ which made possible this unfortunate condition was planted with the founding of our Government and has continued to develop ever since, until to-day in this country we are witnessing its full fruition for the benefit of a privileged few and at the expense of the masses.

At the outset I wish to call attention to the blunder that has been made in the private operation of our railroads, our banks, and other great industries and how interlocked has become nearly all lines of so-called big business; how a few men actually control the policy of these industries and institutions; and how they have been enabled to thwart the Government's efforts to have them render a real service to all the people through the instrumentalities that have been intrusted in the hands of individuals and corporations until they have ceased to function in the interests of the people and have become at times even a dangerous weapon in the hands of special privilege. This policy, if continued, will crush our people and drag down the splendid civilization which our forefathers so laboriously built up that we might ever continue a free and independent people, where poverty and suffering should almost be unknown and every man should receive a full share of the fruits of his labor, but which independence is now fast becoming a hollow mockery to many of the best blood of our land. Fortunately, the ballot promises to be a means to save this fair land through evolution, so that the common people shall have their fair share of responsibility in its affairs and shall enjoy the rights to the fruits of their toil.

In passing, Mr. President, I may say, however, that I am just as anxious for a practical and prosperous merchant marine as any other loyal citizen, but I am not convinced that the proposition as presented is sound or in the interest of all the people, but that it will bring great profits to a few privileged financiers and international bankers at the expense of the producers of the country. I am not convinced either that it would benefit agriculture or tend to promote foreign trade, as its proponents claim. Where there is much smoke there is fire; where there is much propaganda stop, think, beware!

Mr. President, with the illimitable, inexhaustible resources of this country, with her prodigious increase of wealth-producing power, her marvelous mechanical achievements, and the unprecedented genius of her people for industrial cooperation and efficiency, it is a perplexing enigma that there should be a single person able and willing to work that can not find remunerative employment sufficient to maintain his family in comfort and contentment. Nevertheless, it is painfully and pitifully evident from every-day experience and common knowledge, substantiated by the reports of investigations made by the Federal, State, and municipal governments, that a very large proportion of our industrial population is as a result of low wages and disemployment, living in a condition that is detrimental to physical health and moral purity, and which deprives the American home of every element of happiness and contentment. How large this

proportion is is not susceptible of precise determination, but it is evident from governmental statistics that at least one-third, perhaps one-half, of the families of wage earners employed in mining and manufacturing, receive much less in the course of a year than enough to support them in anything resembling decency and comfort. It is into this helpless, hopeless poverty that destroys manhood, blights womanhood, that robs even childhood of its innocence and happiness, that the working classes are being driven by an invisible power which acts upon them like a resistless and pitiless pressure.

ON THE WAY TO BECOME PAUPERS.

Two-thirds of these families—64 per cent—have incomes of less than \$750 a year, and almost one-third have incomes of less than \$500, the total average being \$720. The average size of these families is over five members. That the average American wage earner does not receive sufficient wages to keep his family in anything like a condition of moral decency and physical comfort is shown by the fact that 30 per cent of the families keep boarders and lodgers. Furthermore, in 77 per cent of the families, two or more persons occupy a single sleeping room; in 37 per cent three or more persons, and in 15 per cent four or more persons. Two persons out of every three in the large cities and industrial centers of England die either in a workhouse, a madhouse, or a public charity hospital and are buried in pauper's graves. The abhorrence of all classes of wealth producers to a pauper's burial is so appalling that everything will be sacrificed and grievous debts incurred rather than permit the remains of a member of the family to lie in the potter's field. Nevertheless and notwithstanding this natural abhorrence, in the wealthy city of New York 1 person out of 12 is buried in a pauper's grave or turned over to the medical fraternity for dissection.

FARMERS APPROACHING BANKRUPTCY.

The most ominous fact in our agricultural conditions is the rapid growth of farm tenants. In 1920, 37 tenants operated farms in every 100, as compared with 28 in 1910, an increase of 33 per cent in 10 years. Wherever this notoriously inefficient and outrageously unjust system is established, human slavery in its worst and most degrading form follows as a natural and necessary result.

In 1920 part-owner tenancy involved 89,000,000 acres and nearly \$4,000,000,000 worth of land and buildings. On the same date full tenants claimed 205,000,000 acres and nearly \$24,000,000,000 worth of land and buildings. Altogether, 354,000,000 acres and nearly \$28,000,000,000 of land and buildings were operated by lessees. Without exclusive property in farms operated by managers, the percentage of acreage operated by lessees in 1920 was 37, and the lessee percentage of farms and buildings, measured by value, was 42. Omitting real estate operated by managers, lessees operated 39 per cent of the farm land as measured by acreage and 44 per cent of the total valuation of farm lands and buildings. On this basis, in 1920 lessees operated 44 per cent of the improved acreage and 46 per cent of the value of the land alone. The rapid growth of farm tenancy and farming by hard labor under managers is alarming and portends disastrous consequences to the Nation if it be permitted to continue at the present ratio. In 1880 about 25 per cent of our farms were operated under the tenant system. To-day in many States it has passed the half-way tenancy mark, and in some of the States has reached the high-water mark of from 50 to 60 per cent.

TENANT FARMING APPALLING.

It appears that lessee farming has become characteristic of vast areas. How vast these areas are may be understood by the following comparisons:

The tenants of the United States operate an area of unimproved land larger than the entire surface of the Republic of France, or the former Empire of Germany. In addition to this they operate an improved acreage six times the area of Illinois, Arizona, or Iowa. The combined area of unimproved and improved acreage farmed by tenants in the United States exceeds in area by 25,000 square miles the following countries: England, Ireland, Scotland, Wales, Belgium, Denmark, Italy, Poland, Switzerland, Austria, Greece, and Portugal. The value of the farm property they operate exceeds the amount of America's direct expense in the World War.

In connection with the question of the rapid increase of farm tenancy, the number of farmers who are paying rent in the shape of interest, though nominally owning their own land, would, if the figures could be ascertained, stagger the whole country. For it should be remembered that the most common form of agricultural tenancy in this country is not that of money or share rent, but of mortgage. What percentage of American farms occupied by their nominal owners are under mortgage we can only surmise, but it can be safely estimated at 50 per

cent. The total farm mortgage indebtedness in this country to-day is over \$8,500,000,000. And this appalling debt is borne by the 6,500,000 farm families of the country, whose annual net income is \$184 each, out of which sum the children are to be educated, doctor's bills, life and fire insurance paid, buildings repaired and church and fraternal organizations supported. But this distressing condition is not confined to the farm industry. Over 60 per cent of those who work in the manufacturing and mining industries and auxiliary business activities are living in rented houses. Seventy-five per cent of the homes of America are mortgaged. Out of a population approximately 110,000,000, only 4,131,878 own homes free from encumbrance.

OUR EARNING POWER WILL NOT PAY THE INTEREST.

The estimated wealth of the United States is 175 billions, and the estimated indebtedness, which includes all interest and dividend-bearing securities, is \$140,000,000,000. One thing is certain and that is that these figures show that we are on the verge of national bankruptcy. The earning power of all the people after a bare subsistence is deducted is not sufficient to pay the interest upon this gigantic sum, to say nothing of payment of the principal. The most disgraceful and indefensible feature of this intolerable condition is the incontrovertible fact that over 90 per cent of this prodigious indebtedness is wholly fictitious, not representing one dollar of actual investment, but is the result of dexterous manipulation of financial schemes concocted for the sole purpose of robbing the actual wealth producers of the country. Little by little and bit by bit we have built up a banking and currency system solely for the benefit of stock gamblers, speculators, money sharks, and all sorts of financial bandits and wholly against the real business interests and productive industries of the people. The industrial slavery established under this money system may be more refined than chattel slavery, but it is far more merciless, cruel, and inhuman. When we remember that the interest on this indebtedness is paid by the people through increased prices we see at once that here is an ignored factor, an overlooked element in the rapidly increasing prices of the necessities of life.

JEFFERSON ON AGRICULTURE.

In the light of these observations the drift of the agricultural population to the large cities and industrial centers is no longer a mystery. We see here the relation of cause and effect and realize the significance of Thomas Jefferson's statement in this connection:

The people will remain virtuous for many centuries, as long as they are chiefly agricultural, and this will be as long as there are vacant lands in any part of America. When they get piled one upon another in large cities, as in Europe, they will become corrupt, as in Europe.

What Jefferson said in his day was prophecy. In our day it is history. In 1790, at the time of the first census, the cities contained 3.3 per cent of the whole population. In 1880 they contained 22.5 per cent of the population, and in 1920 it had increased to the alarming extent of 51 per cent.

Ill fares the land, to hastening ills a prey,
Where wealth accumulates and men decay.

And how can this indefensible and intolerable condition of the wealth producers of the Nation be accounted for? We know that in the sequence of human events there are no accidents. Every fact has a cause and every fact implies a preceding fact, which in its turn becomes the basis for another fact, and thus is established an interminable connection of all social phenomena. It should not be difficult to discover the fundamental causes of this indefensible and intolerable disparity in the condition of the privileged and the nonprivileged classes.

That there is a combination of causes no one who has given careful consideration to existing conditions can doubt. And yet when we consider the course of legislation in this country for the past 60 years, there is nothing unnatural in the abnormal situation that confronts us. He who in the midst of abundance suffers the pangs of hunger; who in the presence of inexhaustible natural resources stands in enforced idleness; who, clothed with political power, is a political nonentity; to whose unremitting drudgery labor-saving inventions have brought no relief but rather seem to make his condition worse, instinctively realizes that there is something wrong with our system of distributing the wealth which his labor produces. He knows that the vice and misery, the ignorance and brutishness that arise from degrading poverty on the one hand and vast accumulations of unearned wealth on the other can not be attributed to the will of his Creator. He inherently feels that the Infinite Power that planned and contrived the world before He created it, made ample provision for those He intended to send into it. His own personal experience has satisfied him that natural laws which are the ordinances of God are not tainted with injustice at which even the mind of the most

hardened criminal revolts. The distressing situation of affairs is not the natural and necessary result of industrial cooperation and social development. It accompanies industrial cooperation and social development because our legislation for over half a century has contravened natural law and ignored the demands of justice. It is the direct and necessary result of granting to a corrupt and favored few predatory privileges which involve supreme functions of government.

It must be remembered that the industrial, economic, and financial difficulties that now confront us are but peculiar manifestations, following the perversion of functions of government to serve purposes for which they are not adapted and for which they were never intended. For the industrial unrest, the widespread discontent, which darken the future with ominous clouds, which perplex the politician, appall the statesman, no President and no Congress have as yet presented a solution which accounts for all the phenomena and points to any clear and simple remedy. This is obvious from the essence and nature of the bill before us. Its primary purpose and ultimate object is not to promote the welfare of the people by removing the cause of our difficulties, but to aggravate present evils by extending existing privileges and granting new ones.

DEMOCRATS AND PLUTOCRATS.

It is the delusion born of unearned wealth that recognizes in the popular unrest with which the Nation is feverishly pulsing only the transitory effect of ephemeral causes. Between democratic aspirations and plutocratic arrogance and greed there is an irreconcilable conflict. The new wine of industrial progress is fermenting in the old bottles of plutocratic conservatism, and elemental forces gather for the strife. But if, while there is yet time, we restore to government her exclusive functions, the dangers that now threaten must subside, the blind forces that now menace will be transmitted to agencies of elevation.

The history of civil government amply justifies the assertion that political corruption may be engendered and public misfortunes induced by failure of the government to exercise functions which legitimately belong to it, as well as from its interference with the individuals in their legitimate sphere of action. A government is neither necessary nor practicable to men living in an isolated state. But with the growth of population and the resulting cooperation of individuals in the production of things essential for the satisfaction of individual wants, public needs arise which necessitate the organization of the community under some form of civil government. There are those who, when it suits their selfish ends, contend that there are no natural rights, but that all rights emanate from the State or grant of the sovereign political power.

This is, of course, pious political piffle served up for those who they think do not know any better. There are some facts so obvious and universal that their mere statement carries conviction, and one of these is that there are rights between man and man which naturally existed before the formation of government and which continue to exist in spite of espionage laws. All rational men believe that this earth is the creation of God and that the people who occupy it during the brief period of their earthly existence are sent here by His direction. Each person born into this world is a distinct, separate, independent, coherent entity which alone justifies individual ownership and proclaims his equal rights with all his fellows.

NATURE'S LAWS DO NOT DISCRIMINATE.

The laws and forces of nature, which are simply the decrees of the Creator, make no discriminations among men but are to all absolutely impartial. All persons stand upon the same level and have equal rights. There is no distinction between farmer and banker, skipper and carrier, laborer and capitalist. Hence, when governments are instituted they do not create new rights but are intended to secure the old ones. Let us never forget that there is a law higher than any human enactment, the law of the Creator inherent in the human consciousness and which is above and beyond man-made laws and upon conformity to which all human laws must depend for their validity. To deny this is to assert that man is destitute of a moral faculty and that there is no standard whatever by which the justice or injustice of human laws and institutions can be determined; to assert that no actions are in themselves right and none in themselves wrong, but only become so by legislative enactment. The history of mankind everywhere shows that the very reverse of this is the fact. The truth of the matter is that to make an action a crime by human law which is not a crime by God's law is inevitably to destroy respect for all law; to require men to take an oath before God with a view to preventing them from doing what they feel they have a natural right to do is to weaken the sanctity of oaths and tends

to defeat the purpose they are intended to serve. Government ought not to interfere with the personal activity of individuals further than to secure the equal right of each from aggressions on the part of others, and the moment governmental interferences extend beyond this they are liable to defeat the very ends they were established to secure.

What is the natural law of human progress in its entirety but the recognition of the moral law in human relations? Just as human laws promote the law of equal freedom, just as they acknowledge the equality of right between man and man, just as they insure to each the perfect liberty which is limited only by the perfect liberty of every other, must mankind advance. Just as they ignore or contravene all this must the progress of mankind come to a halt and eventually turn backward. The science of government can not teach any lessons not embodied in the decalogue and the golden rule.

As the primary purpose and chief object of government is to secure the natural rights and equal liberty of each, all undertakings which involve monopoly come within the necessary sphere of governmental regulation and undertakings that are in their nature complete monopolies are legitimate functions of the Government. As the cooperation of individuals for the gratification of all their desires becomes closer and wider, the Government must assume functions that in a lower stage of cooperation were neither necessary nor expedient.

DEMANDS OF PREDATORY INTERESTS.

The annals of every nation since the beginning of recorded history show the encroachments of a sordidly selfish class upon the natural rights of their fellows. Even in our Federal Constitutional Convention there was a strong, dominating coterie of predatory privileged interests that were strenuously opposed to the principles of republicanism for which the Revolutionary War was fought, who pressed for a monarchical form of government, and when they realized that the great body of the delegates were strong for republicanism, but for giving due strength to the Federal Government under that form, they then directed their efforts to the construction of a Government that would leave but the shadow of power with the people. They pressed forward their schemes of strengthening all the branches of the Government which conformed to a monarchy, and the creation of a money power by means of a funding system, not calculated to pay the national debt but to make it perpetual and to make it an engine of tyranny and extortion in the hands of the executive branch of the Government, which, in addition to the powerful patronage it possessed in the disposal of public offices, might enable it to gradually assume autocratic power. Although our banking and currency system ought to be as clear and simple as the rule of three, so that every person of ordinary intelligence ought to be able to comprehend it, the privileged banking interests from the very beginning of our Federal Government succeeded in grafting on our monetary system of government an arbitrary scheme—which can not, save by a great abuse of language, be called a system—so complicated and tortuous that neither Congress nor the President seemed able to understand it. In the first instance, in funding the national debt they formulated the most arbitrary, intricate, and mysterious system that could possibly be devised. They then succeeded in inducing a complacent Secretary of the Treasury to make his appropriations consist of a number of scraps and remnants, many of them mere phantoms, and then applied them to objects in reversion and remainder, until the finances of the Nation were involved in an impenetrable fog of ambiguity and confusion.

Thomas Jefferson said to President Washington:

"I told him," says Jefferson, "that, in my opinion, there was only a single source of these discontents. Though they had indeed appeared to spread themselves over the War Department also, yet I considered that as an overflowing only from the real channel which would never have taken place if they had not first been generated in another department, to wit, that of the Treasury. That a system there had been contrived for deluging the States with paper money instead of gold and silver, for withdrawing our citizens from the pursuits of commerce, manufacture, and other branches of useful industry, to occupy themselves and their capitals in a species of gambling, destructive of morality, and which had introduced its poison into the Government itself. That it was a fact, as certainly known as that he and I were conversing, that particular members of the legislature while those laws were on the carpet had feathered their nests with paper and then voted for the laws, and constantly since lent all their talents and instrumentality of their offices to the establishment and enlargement of this system; that they had chained it about our necks for a great length of time, and in order to keep the game in their hands had from time to time aided in making such legislative constructions of the Constitution as made it a very different thing from what the people thought they had submitted to; that they had now brought forward a proposition far beyond any one ever yet advanced, and to which the eyes of many were turned, as the decision was to let us know whether we lived under a limited or an unlimited Government. He asked me to what proposition I alluded; I answered, to that in the report on manufactures which under color of giving bounties to manufactures meant to establish the doctrine that the power given by the Constitu-

tion to collect taxes to provide for the general welfare of the United States permitted Congress to take everything under their management which they should deem for the public welfare, and which is susceptible of the application of money; consequently, that the subsequent enumeration of their powers was not the description to which resort must be had and did not at all constitute the limits of their authority; that this was a very different question from that of the bank, which was thought an incident to an enumerated power."

A MONEY MONOPOLY.

The bank to which Jefferson refers was the Bank of the United States, a grinding, extortionate, money monopoly, robbing the producers of wealth by usurious rates of interest, inflating and contracting the volume of money to aid their gambling and speculative enterprises, ruining the State banks, and practically dominating the business interests of the country. In 1822, three years before the expiration of their charter, the incorporators of the bank succeeded in jamming through Congress a new charter conferring new and extortionate privileges. It granted additional gratuities of over \$7,000,000 to the stockholders. It was generally admitted that it provided for an increase of the market price of their stock at least 30 per cent. More than eight millions of the stock of the bank was held by foreigners. For these gratuities to foreigners and unscrupulous Americans the people were to receive nothing in return. The many millions which this charter proposed to bestow upon favored individuals were to come out of the hard earnings of the American people.

The new charter contained provisions precisely similar to our present Federal reserve system; that is, it secured to certain State banks legal privileges which it denied to private citizens. For instance, if a State bank in Philadelphia owed the Bank of the United States and had notes issued by the St. Louis branch, it could pay the debt with those notes; but if a farmer, a merchant, a mechanic, or other private citizen was in like circumstances he could not legally pay his debt with those notes but must sell them at a discount. This privilege granted to the State bank was for the purpose of creating a bond of union among the moneyed interests, erecting them into a separate and distinct interest apart from the people, and its necessary and inevitable tendency was to unite the Bank of the United States and the State banks in any financial measure which they considered to their special interest. Furthermore, it contained a provision that exempted from taxation the foreign stockholders who owned over 8,000,000 of the bank's stock. However, President Jackson returned this infamous measure to the Congress without his signature, stating in one of the ablest State papers that ever emanated from the White House his reasons for withholding his approval.

TOO RAW FOR PRESIDENT JACKSON OR CARL SCHURZ.

In his message to the Senate, returning the bill to recharter the United States bank, President Jackson said:

The present corporate body, denominated the president, directors, and company of the Bank of the United States, will have existed at the time this act is intended to take effect 22 years. It enjoys an exclusive privilege of banking under the authority of the general Government, a monopoly of its favor and support, and, as a necessary consequence, almost a monopoly of the foreign and domestic exchange. The powers, privileges, and favors bestowed upon it in its original charter, by increasing the value of the stock far above par value, operated as a gratuity of many millions to the stockholders.

Carl Schurz, commenting on the insidious and brazen efforts of the Bank of the United States to secure for its own aggrandizement a paramount function of government, in his interesting and instructive biography of Henry Clay, says:

It would have been well for Clay and his party had they recognized the fact that not only this Bank of the United States could not be saved, but that no other great central bank, as the fiscal agent of the Government, could be put in its place with benefit to the country.

An institution whose interests depend upon the favor of the Government is always apt to be driven into politics, be it by the exactions of its political friends or by the attacks of its political enemies. Its capacity for mischief will then be proportioned to the greatness of its power, and the power of a central bank, acting as the fiscal agent of the Government, disposing of a large capital, and controlling branch banks all over the country, must necessarily be very large. Being able to encourage or embarrass business by expanding or curtailing bank accommodations and to favor this and punish that locality by transferring its facilities, it may benefit or injure the interests of large masses of men and thereby exercise an influence upon their political conduct, not to speak of its opportunities for propitiating men in public position, as well as the press, by its substantial favors. So it was in the case of the Bank of the United States. Although Jackson's denunciations of its corrupt practices went far beyond the truth—which is extremely doubtful, as even the great statesman, Daniel Webster, was on its secret pay roll—there can be no doubt that, when it last fought for the renewal of its charter and against the removal of the deposits, it did use its power for political effect.

John Fiske, our scientific and philosophic historian, saw clearly the deep-rooted and widespread evils that must necessarily accompany the delegation to private interests of the power to issue money, which is an exclusive function of the Government. He says:

It was Jackson whose sound instincts prompted him to a course of action quite in harmony with the highest political philosophy. During the administration of John Quincy Adams, there was fast growing up

a tendency toward the mollycoddling, old granny theory of government, according to which the ruling powers are to take care of the people, do their banking for them, rob Peter to pay Paul for carrying on a losing business—just as the pending bill proposes—and tinker (?) and bumble things generally. It was, of course, beyond the power of any man to override a tendency of this sort, but Jackson did much to check it; and still more would have come from his initiative if the question of slavery and secession had not so soon come to absorb men's minds and divert attention from everything else. His destruction of the bank was brought about in a way that one can not wish to see often repeated; but there can be little doubt that it has saved us from a great deal of trouble and danger. By this time the bank, if it had lasted, would probably have become a most formidable engine of corruption.

PANIC OF 1837 FOR THE BANKERS.

The bank precipitated the panic of 1837 by refusing credit and extension of loans to farmers, merchants, and business men in general, foreclosing mortgages, and, by the abuse of its power, dislocating and paralyzing the entire industrial organization. But when the effects of these evil operations subsided, a period of general prosperity ensued—a prosperity so genuine and all-pervading that it is regarded by impartial historians as the happiest and most prosperous period of our history. It offered conclusive proof of the beneficial effect, if not perhaps of a sound scientific currency system, of one that was at least free from favoritism and extortion.

The farming and small business interests were no longer at the mercy of financial bandits and unscrupulous money gamblers. Commerce made marvelous advances and our carrying trade grew so rapidly that within 10 years after the panic of 1837 had spent itself, our tonnage exceeded that of England. There was a constant, continuous development of all our productive industries, under financial freedom. Trusts and monopolies were not granted predatory privileges to rob and oppress the people. Agriculture, the indispensable basis of all production, was never more prosperous. The farmers and planters at no other period of our Nation's history were in receipt of such good prices, steadily paid to them in real genuine money for their surplus products, which they could ship to the home market on the railroads at reasonable rates, and to foreign markets in American ships maintained without subsidies.

The breaking out of the Civil War presented a splendid opportunity for the banking interests to again get control of the Nation's finances. The unselfish devotion of a people ready to make any sacrifice to preserve the Union of the States was taken advantage of by the moneyed interests to induce Congress to create two kinds of money, one for the bondholder, consisting of the precious metals, and the other for the people, consisting of a partial legal tender, a depreciated money; and to establish a national banking system which enabled the bankers to draw interest on both their debts and credits.

On July 17, 1861, an act was passed authorizing the Secretary of the Treasury to borrow \$250,000,000, and to issue coupon bonds, registered bonds, or Treasury notes at his discretion. The bonds were to bear interest at 7 per cent, and run for 20 years. The Treasury notes were to bear 7.3 per cent, and were convertible into 20-year 6 per cent bonds.

On August 5, 1861, an act supplementary to the act of July 17 was passed authorizing the Secretary of the Treasury to issue bonds bearing interest at 6 per cent payable at the expiration of 20 years, which could be exchanged for Treasury notes bearing 7.3 per cent interest. It is manifestly evident that these bonds and notes were lame and impotent substitutes for money, and were issued at the dictates of the money power to prevent the Government from exercising its sovereign right to create a full legal tender money in the interest of the people.

THE PEOPLE DEMANDED REAL MONEY.

The people were demanding that Congress exercise its power and furnish the people in this national exigency with an efficient and sufficient medium of exchange. The enactments of July 17, 1861, and February 12, 1862, authorized the issue of \$60,000,000 of Treasury notes, full legal tender for the payment of all debts, public and private, without exception. This was the first and only attempt of our Government to establish a genuine and efficient monetary system free from the control of private selfish interests.

The money power realized that if this bill became a law it would deprive them of the power to dominate the circulating medium of the country. A formidable lobby appeared at once in Washington, consisting of the leading bankers of the country, and insisted that the Committee on Ways and Means and the Finance Committee of the Senate should meet them in the office of the Secretary of the Treasury on a certain date.

The New York Tribune, then under the honest and patriotic management of Horace Greeley, commenting on this meeting, said:

The Subcommittee on Ways and Means objected to any and every form of "shinning" by the Government through Wall or State Streets and the knocking down of Government stocks to 75 or 60 cents on the dollar, the inevitable results of throwing a new and large loan on the

market without limitation as to price, and finished by firmly refusing to assent to a scheme that should permit a speculation by brokers and bankers and others in the Government securities, and particularly any scheme which should double the public debt of the country and double the expenses by damaging the credit of the Government.

Here we have the hypocritical patriotic pretenses of the money power exposed to public view. Their real purpose was to sandbag the Government in her hour of peril by knocking down her securities to 60 or 75 cents on the dollar, permit speculating by bankers and brokers in her securities, to double her public debt and double her expenditures by damaging her credit. Nevertheless and notwithstanding all this base treachery to the Nation in the greatest crisis in her history, the bankers and brokers won a complete victory. The bill was passed by the Senate, inserting the words—

except duties for interest on bonds and notes, which shall be paid in coin—

And—

that duties on imported goods and proceeds of the sale of public lands should be set apart to pay coin interest on the debt of the United States.

A PERNICIOUS MEASURE, SAYS STEVENS.

As he reported the bill to the House as amended by the Senate, Thaddeus Stevens, chairman of the subcommittee of the Committee on Ways and Means, said:

I hope the gentlemen of the House will read the amendments. They are very important and, in my judgment, very pernicious, but I hope the House will examine them.

When the bill as amended was under consideration, he said:

I have a melancholy foreboding that we are about to consummate a cunningly devised scheme which will carry great injury and loss to all classes of the people throughout this Union except one. With my colleague, I believe that no act of legislation of this Government was ever hailed with as much delight throughout the whole length and breadth of the Union, by every class without exception. It is true that there was a doleful sound came up from the caverns of bullion brokers and from the saloons of the associated banks.

Their cashiers and agents were soon on the ground and persuaded the Senate with but little deliberation to mangle and destroy what it had cost the House months to digest, consider, and pass. They fell upon the bill in hot haste and so disfigured and deformed it that its very father would not know it. Instead of being a beneficent measure, it is now positively mischievous. It has all the bad qualities which its enemies charged on the original bill and none of its benefits. It now creates money and by its very terms declares it a depreciated currency. It makes two classes of money—one for the bankers and brokers and another for the people. It discriminates between the rights of different classes of creditors, allowing the rich capitalists to demand gold and compelling the ordinary lender of money on individual security to receive notes which the Government had purposely discredited.

Representative Spaulding said:

I desire especially to oppose the amendment of the Senate which requires the interest on bonds to be paid in coin semiannually, and which authorizes the Secretary of the Treasury to sell 6 per cent bonds at the market prices for coin to pay the interest. The passage of this measure, the legal tender bill, in this House was hailed with satisfaction by the great mass of the people all over the country. It received the hearty indorsement of such bodies as the chambers of commerce, New York, Cincinnati, St. Louis, Chicago, Buffalo, Milwaukee, and other places. I have never known any measure to receive a more hearty approval from the people. . . . Why make these discriminations? Who asks to have one class of creditors placed on a better footing than another class? Do the people of New England, the Middle States, or the people of the West or Northwest or anywhere else in the rural districts have such discrimination made in their favor? Does the soldier, the farmer, the mechanic, or the merchant ask to have any such discrimination made in his favor? No, sir; no such unjust preference is asked for by this class of men. They ask for a legal-tender note bill, pure and simple. They ask for a national currency which shall be of equal value in all parts of the country. They want a currency that shall pass from hand to hand among all the people in every State, county, city, town, and village in the United States.

A DARK CHAPTER IN OUR HISTORY.

An able writer, considering this base and treacherous betrayal of the people's interest, says:

Here begins one of the darkest chapters in American history. It will be found that every step taken by Congress from this on in matters pertaining to the finances of the Nation has been dictated by the money power. Foreign capitalists, such as the Rothschilds, became deeply interested in the scheme of robbery inaugurated by the passage of this act; and through their agents, such as August Belmont, banker and whilom chairman of the Democratic National Committee, have aided the money power here materially in controlling the policy of both political parties.

The amount stolen from the people by the financial policy then adopted and which now encumbers the Nation in the shape of a bonded debt, payable principal and interest in gold, is estimated by such writers upon the subject of finance as J. S. Gibbons (contributor to Johnson's Universal Encyclopedia) at over one thousand million dollars, to say nothing of which the people have been robbed indirectly by means of the pernicious monetary system foisted upon the country.

EXPLOITING THE FARMERS AND LABORERS.

This infamous scheme of exploiting the producing classes through the possession of an exclusive function of the Government was supplemented by the passage of the national bank act. When the Senate inserted the words "excepting the payment of interest on the public debt," or "be received in payment of customs duties" in the legal tender bill, they purposely depre-

clated their own currency by making it a partial legal tender, good enough for the people but not good enough for the financial bandits who secured its insertion. Hence, in 1864, \$35,000 in gold could buy \$100,000 in partial legal-tender notes. The Government received these notes at their face value, funded them into a bond drawing 6 per cent interest in coin, and upon the bond issued \$90,000 national-bank notes, which the bankers loaned to the people at 8 and 10 per cent. So by this financial legerdemain the banks were drawing interest on \$190,000, for which they actually paid only \$35,000.

THE FAMOUS HAZZARD CIRCULAR.

In order to prove conclusively that this whole financial scheme was the work of international investment bankers, I will read what is known as the Hazzard Circular, issued in the fall of 1862, a copy of which came into the possession of Hon. Isaac Sharp, a student of law under Thaddeus Stevens, and subsequently acting Governor of Kansas. The circular says:

Slavery is likely to be abolished by the war power and chattel slavery destroyed. This I and my European friends are in favor of, for slavery is but the owning of labor and carries with it the care of the laborer, while the European plan, led on by England, is capital's control of labor by controlling wages. This can be done by controlling the money. The great debt that capitalists will see to that is made out of the war must be used as a measure to control the volume of money. To accomplish this the bonds must be used as a banking basis. We are now waiting to get the Secretary of the Treasury to make this recommendation to Congress.

Mr. Hazzard, the author of these atrociously inhuman propositions, was solicitor of the English Bankers' Association. One of the many contemptible tricks of the money power is to make the currency question so complicated that the ordinary citizen can not understand it, and make it appear to him as one of the abstruse sciences. With this object in view they had the Treasury Department issue 15 different forms of Government obligations.

WHO DEMONETIZED SILVER, AND WHY?

Silver was demonetized by an act of Congress that for treachery, perfidy, and deception has no precedent nor a parallel in the annals of representative government. President Grant, who signed the bill, said that he did not know that the act of 1873 demonetized silver. Senator Morgan, of New York, said:

It can not even be fairly said that Congress did it. It was done at the instigation of the bondholders and other money kings, who now, with upturned eyes, deplore the wickedness we exhibit in asking the question, even. Who did this great wrong against the tolling millions of our people?

Senator Beck, of Kentucky, said:

The bill demonetizing silver never was understood by either House of Congress.

The demonetization of silver was to make the national debt and interest thereon payable in gold.

Then we had the silver purchase act, which, in its last analysis, meant no more than taking silver out of a hole in the ground in the West and putting it in a hole in Washington and issuing certificates against it. President Cleveland, who was elected in 1892 on a tariff-reform platform, showed his subservience to the money power by calling Congress in extra session to repeal the purchasing clause of the silver act.

The tariff-reform cry upon which the people elected him was not passed until 18 months after his induction into office, and finally was a miserable abortion, in which his promise to the people was shamelessly violated, and the privilege of the predatory interests firmly entrenched and buttressed.

Mr. President, the Manufacturers' Record, issue of February 22, 1923, contains a most important and interesting article, captioned "An amazing revelation of secret financial meeting." This gives us some light upon the development of the policy of drastic deflation. This strikes me as of great importance in the financial history of our country, and it should go into a permanent record.

Also, in the issue of the Manufacturers' Record for October 21, 1920, appeared an interesting and illuminating article captioned "An amazing situation of world importance." In the issue of the same publication for November 3, 1921, appeared another article, captioned "A strange financial admission." These last two articles tend to show that drastic deflation was a world-wide policy, designed by the international bankers, to be carried on through the central banking institutions throughout the world. They strike me as evidence of an immoral and conscienceless conspiracy against the people of the nations of the earth, and such a conspiracy as almost borders upon treason.

In order that these articles may be preserved for the future, so that historians may have them at hand for their consideration, I ask unanimous consent to insert the three mentioned articles in the RECORD in the usual 8-point type.

The VICE PRESIDENT. Without objection, it is so ordered.

The matter referred to is as follows:

[From the Manufacturers Record, October 21, 1920.]

AN AMAZING SITUATION OF WORLD IMPORTANCE.

Bulletin No. 2, issued September 27 by the First Federal Foreign Banking Association, which is controlled by the leading banking institutions of New York, states that the League of Nations is carrying on a world campaign "for drastic credit restrictions through existing central banking institutions." It also says that measures have been taken in the United States "to restrict the granting of credits and put up the cost of borrowing," and that "our restriction of credit shows far-reaching influences, bringing about reduced production and liquidation of commodities."

[From the Manufacturers Record, November 3, 1921.]

A STRANGE FINANCIAL ADMISSION.

The First Federal Foreign Banking Association of New York in its Bulletin No. 13, issued on September 30, in reviewing the question of money and credit, says: "The strangle hold that gold has come from the fact that it has the monopoly of world-wide command of purchase at unquestioned parity."

The Century Dictionary defines "strangle" as "to draw tight, squeeze, to choke by compression of the windpipe, kill by choking, throttle." Who would ever have imagined that a great banking institution of New York would thus refer to gold as having a strangle hold?

Further on in the same financial circular it is said "there is not gold enough in the world to make current settlements with. If the realization that something must be done promptly is not vivid now, it certainly will be very soon."

We have tried for several years to warn the financiers of the world that with a steadily decreasing gold output and a larger consumption of gold for the arts the world is facing a gold shortage, which unless there is a change by some better system of financing, will ultimately lead to world-wide panic and world-wide repudiation of debts and bonds, national and corporate. Gold as it now stands limited to an output with a steadily decreasing supply indeed has, as stated by the First Federal Foreign Banking Association, of New York, "a strangle hold" and this strangle hold unless it is released will ultimately produce the very things defined by the Century Dictionary, "to draw tight, squeeze, to choke by compression of the windpipe, kill by choking, throttle."

[From the Manufacturers Record, February 22, 1923.]

AN AMAZING REVELATION OF SECRET FINANCIAL MEETING—ON MAY 18, 1920, FEDERAL RESERVE MEETING IN WASHINGTON DISCUSSED DEFLATION, RESTRICTION OF CREDIT, BREAKING DOWN OF PRICES, AND HIGHER FREIGHT RATES, BUT GOVERNOR HARDING WARNED THOSE PRESENT NOT TO DIVULGE THE DISCUSSIONS OF THE DAY—THE INSIDE STORY REVEALED BY A STENOGRAPHIC REPORT OBTAINED BY THE MANUFACTURERS RECORD.

"After one of the most fateful meetings in the financial history of the world, a meeting which no other organization, including the Interstate Commerce Commission or the Supreme Court of the United States, would ever have dared to hold in secret and reach its conclusions in secret and withhold its conclusions from the public, Governor Harding, of the Federal Reserve Board, in closing that meeting of the Federal Reserve Board, the Federal Advisory Council, and the class A directors of Federal reserve banks, said: 'I would suggest, gentlemen, that you be careful not to give out anything about any discussion of discount rates. That is one thing there ought not to be any previous discussion about, because it disturbs everybody, and if people think rates are going to be advanced there will be an immediate rush to get into the banks before the rates are put up, and the policy of the reserve board is that that is one thing we never discuss with a newspaper man. If he comes in and wants to know if the board has considered any rates or is likely to do anything about rates, some remark is made about the weather or something else and we tell him we can not discuss rates at all. And I think we are all agreed it would be very ill advised to give out any impression that any general overhauling of rates was discussed at this conference. We have discussed the general credit situation and your committee, which has been appointed with plenary powers, will prepare a statement which will be given out to the press to-morrow morning and we will all see what it is.' You can go back to your banks and of course tell your fellow directors as frankly as you choose what has happened here to-day, but caution them to avoid any premature discussion of rates as such. We have had an exceedingly interesting day, gentlemen. The suggestions which have been made have been valuable and we have profited by your views. I wish to express on behalf of the board our appreciation of your coming here and to thank you for the unselfish and loyal interest you

have taken in the Federal bank situation throughout the country in giving this matter the careful thought and consideration that you have. And I am sure that the spirit which has manifested itself at this meeting here to-day will spread throughout all the country, to the member and nonmember banks, and if it does we can look the future in the face with courage and confidence."

"These closing words of a fateful conference, it can be conservatively said, are the most damning indictment of the management of the Federal reserve system which could be penned by the worst enemies of that organization. The Manufacturers Record has shown since shortly after that meeting was held some of its decisions, but it has never until within the last few days been able to get hold of a stenographic copy of the minutes. But with this stenographic report we are now able to give to our readers some details regarding that meeting which strengthened and confirmed the work of deflation which had already been inaugurated. After a long conference and full discussion, covering 37 pages of foolscap, closely typewritten, the statement that Governor Harding closed the meeting with was emphatic warning to those in attendance that the deliberations of that meeting should be held as strictly confidential except to fellow directors and that the public should not be allowed to know what had taken place and the newspapers should know only so much of the meeting as the carefully prepared statement would present."

"As far back as July 3, 1919, the Manufacturers Record warned the Federal Reserve Board against some of the actions that were then being taken, and said:

"Not for a moment would we suggest that the members of the Federal Reserve Board were in any way financially interested in the stock market, but we can readily understand the limitless power of stock speculation and the manipulation of the stock market which would be available to anyone who knew a few hours in advance of such proposed action by the Reserve Board. It is entirely within the power of that board to break the stock or the cotton market or to bring about a big boom movement in cotton or stocks. The power is too great to rest in the hands of any seven men, even if they were angelic in character, for they might be succeeded by those who were not so angelic."

"That editorial emphasized the control which big financial interests had held over the stock market to break it when it suited their convenience to buy in stock or to boom it when it suited their convenience to unload stocks, and we added: 'It was hoped that the organization of the Federal Reserve Board would make this impossible; but the recent action of the board resulted in a very rapid break in the stock market, and it is within the power of the board to bring about a rapid advance whenever there is a change of policy and prevent the calling of loans or the sharp advance in money.'

"In that editorial we quoted from the Boston News Bureau a very sharp arraignment of some of the methods of the Federal Reserve Board and closed with the statement from the news bureau:

"Before the Federal reserve system a money squeeze was one of the tricks of the trade to frighten the public out of their stocks. Are the administrators of the Federal reserve system going to countenance the same old game by allowing the people who have the control of money to play with values on a discount basis, arresting advancement and prosperity?"

"When two years ago the Manufacturers Record urged that every important meeting of the Federal Reserve Board should be held in the open, with the right of the public to know what was taking place, so that no secret acts should be passed giving to the insiders limitless possibilities for money-making, we knew that we had thrown a bombshell into the camp of secrecy, but we did not at that time know that Governor Harding had so specifically and emphatically urged that that conference should regard its whole discussion as secret and to be withheld from the newspapers and from the public at large. The human mind is somewhat staggered as it tries to outline the limitless possibilities for money-making on the part of every man who, having this secret information, knew exactly what would happen in the business world long in advance of what the general business public could even suspect, even if no man ever used this information to his own individual profit. This conference, the closing statement of which we have quoted, was held on May 18, 1920. Those in attendance were as follows:

"Hon. Adolph C. Miller, member of the Federal Reserve Board.

"Hon. Henry A. Mohlenpah, member of the Federal Reserve Board.

"Hon. John Skelton Williams, Comptroller of the Currency and member ex officio of the Federal Reserve Board.

"Hon. David F. Houston, Secretary of the Treasury and member ex officio of the Federal Reserve Board.

"George L. Harrison, counsel, Federal Reserve Board.

"Also the members of the Federal advisory council:

"Phillip Stockton, Federal reserve district No. 1.

"A. B. Hepburn, Federal reserve district No. 2.

"L. L. Rue, Federal reserve district No. 3.

"W. S. Rowe, Federal reserve board No. 4.

"J. G. Brown, Federal reserve district No. 5.

"Oscar Wells, Federal reserve district No. 6.

"James B. Forgan, Federal reserve district No. 7.

"F. O. Watts, Federal reserve district No. 8.

"E. F. Swinney, Federal reserve district No. 10.

"R. L. Ball, Federal reserve district No. 11.

"A. L. Mills, Federal reserve district No. 12.

"J. H. Puelicher, Marshall & Isley Bank, Milwaukee, Wis.

"John Perrin, chairman of the board and Federal reserve agent, Federal Reserve Bank of San Francisco.

"Hon. Edmund Platt, chairman of the Banking and Currency Committee, House of Representatives.

"Also the following class A directors of the Federal reserve banks:

"Boston: Thomas Beal, Edward S. Kennard, and Frederick S. Chamberlain.

"New York: James A. Alexander, R. H. Treman, Charles Smith, and J. H. Slason.

"Philadelphia: Joseph Wayne, jr., M. J. Murphy, and Francis Douglas.

"Cleveland: O. N. Sams, Robert Wardrop, and Chess Lambertson.

"Richmond: John F. Bruton, Charles E. Rieman, and Edwin Mann.

"Atlanta: J. K. Ottley, Oscar Newton, P. R. Kittles, and W. H. Kettig.

"Chicago: George M. Reynolds, Charles H. McNider, and E. L. Johnson.

"St. Louis: J. C. Utterback and Sam A. Ziegler.

"Minneapolis: Wesley C. McDowell and E. W. Decker.

"Kansas City: J. C. Mitchell, C. E. Burham, and W. J. Bailey.

"Dallas: John T. Scott, E. K. Smith, and B. A. McKinney.

"San Francisco: C. K. McIntosh, J. E. Fishburn, and M. A. Buchan.

DOOM OF COUNTRY'S BUSINESS INTERESTS SOUNDED AT CONFERENCE COMPOSED EXCLUSIVELY OF BANKERS.

"It will be noted that those in attendance were preeminently bankers and that business men as such were not there, though the business men and not the bankers are the ones who create the business of the country, whether in agriculture, manufacture, or other lines of industry. Their doom was being settled in a conference composed exclusively of bankers.

"In opening the proceedings Governor Harding, referring to those in attendance, said:

"The class A directors are the banker members of the boards of directors of the Federal reserve banks. They are not only directors, and as a rule very influential directors, of Federal reserve banks but they are officials of member banks, and thus they see both sides of the picture. So it seems to be peculiarly appropriate at a time when there is a banking situation to discuss to have bankers here to discuss it."

"It is true that it might have been important to have bankers there to discuss the subjects up for consideration that day, but is it not also true that the manufacturers, the merchants, the farmers, and all others representing the producing and transportation interests of the country were just as vitally interested in a conference of this kind as those who were exclusively engaged in banking? In a rather lengthy opening speech Governor Harding said:

"Every effort should be made to stimulate necessary production, especially of food products, and to avoid waste."

"And having encouraged the farmers to the utmost extent during the spring of 1920 to carry forward their farming operations despite the high wages that were being paid labor drastic deflation was put into effect, breaking down the prices of farm products to an extent that literally bankrupted hundreds of thousands of farmers.

"We can," said Governor Harding, "restrict credit and expand production, letting the expansion of production proceed at a greater rate than the restriction of credit, and we are then working along in the right direction."

"No human being has yet found a way to restrict the credit facilities essential for increasing production and at the same time bring about increased production. That statement is so rankly absurd on its face that it is an amazing thing that any man professing to be either a banker or a political economist

could presume to suggest that restriction of credit and expansion of production could go hand in hand.

"It is in striking contrast with the statement quoted from Hon. Reginald McKenna, formerly Chancellor of the Exchequer of Great Britain and one of the world's great banking authorities, given elsewhere in this issue, in which Mr. McKenna said: 'The continuance of a high rate or the adoption of any other method for the purpose of forcing down prices is bound to strangle trade and reduce output. We must not interfere with the natural flow of trade by any restriction of existing producing power but must seek a general increase of wealth through a more abundant output.'

"And as that day's meeting was devoted to a discussion of how to increase interest rates in order to lessen the volume of business, it is interesting to quote from a statement made by Comptroller Crissinger, recently nominated as governor of the Federal Reserve Board, in which he said: 'Falling prices and high interest rates are never twin sisters of prosperity. I can not too emphatically say that I do not believe deflation in currency and credits can go hand in hand with a régime of high interest rates without imposing great and dangerous hardships upon the people.'

"It is very clear," said Governor Harding, "that if we find it impossible under the present circumstances to increase the volume of production of the most essential articles, the only thing for us to do is to reduce consumption of those articles." In other words, here was a definite plan to break down business and lessen consumption at a time when the American people and the world at large were buying freely of everything that could be produced.

"This plan of forcing down prices and breaking down business had been secretly inaugurated long before the meeting whose records we now have before us and from which we have been quoting, for on February 12, 1920, the Manufacturers Record published an extract from a letter from one of the foremost bankers of the country, in the course of which, criticising this paper because we had denounced the efforts of banks through the pressure of the Federal reserve system to call all loans on Government bonds, he said:

"You can further see that if by any pressure these bonds can be turned out of the Federal reserve banks and passed over to the strong boxes of great institutions—savings banks, life-insurance companies, large estates, benevolent and philanthropic institutions—just to that extent the 12 banks would be in a position to extend additional facilities to merchants and business men generally. Of course it seems hard that anyone who for patriotic purposes should have invested in Government bonds should be practically called upon to part with say a loss of from 8 to 9 per cent, but facts are stubborn things and conditions more important than theories."

"That same banker wrote us that he would not lend money on any collateral of any kind, it mattered not how good it might be, and that there was too much business in the country and it should be brought down to normal conditions.

"That was the spirit which was being inculcated by the then management of the Federal reserve system. Stripped of all its useless verbiage, the meeting of May 18 was largely devoted to the discussion of how to lessen the activity which was prevailing throughout the country and bring on deflation of business and of credits. Governor Harding said: 'We should be careful, however, not to overdo this matter of liquidation, because too drastic a policy of deflation, which might result in crowding to the wall and throwing into bankruptcy legitimate enterprises, however unessential their operations may be, would have a tremendously bad effect and would defeat the purpose of the very policy which we are trying to have established.' He added 'A sensible and gradual liquidation will result in permanent improvement, as we all know, but any attempt at radical or drastic deflation, merely for the sake of deflation, will result in very serious consequences, and such a policy should be avoided.'

"But drastic deflation is exactly what took place. Some of the men who went from that meeting went with the impression, and said so, that a policy of deflation and the breaking down of prices could be put into effect and that the Federal reserve management would have the power to stop this deflation and price breaking at any point when it might decide that it had gone far enough, not having financial ability sufficient to comprehend the fact that when they started business on the toboggan slide they would not be able to stop it until it collapsed at the bottom. Every man of ordinary intelligence ought to have been able to see the inevitable result of the policies discussed and outlined in that campaign.

"Over and over again during the process of deflation it was stated by Governor Harding and others that the banks of the

country were guilty of misleading, even to the extent of practically lying to their customers by declining to make loans, alleging the opposition of the Federal Reserve Board, but in Governor Harding's speech he said: 'The directors of the Federal reserve banks are clearly within their rights when they say to any member bank, "You have gone far enough; we are familiar with your condition; you have got more than your share and we want you to reduce. We can not let you have any more." They must exercise their discretion as to the proper course to pursue but they have the power and there are many cases where the rule ought to be laid down and a member bank ought to be made to understand that it can not use the resources of the Federal reserve banks for its own private advantage for profit.'

"At the close of his address Mr. Hepburn asked if any arrangement had been made to place Governor Harding's opening remarks before the public and to this Governor Harding said: 'I have a synopsis prepared which was given to the press on yesterday for release to-morrow morning. It is rather more abridged than the statement I made this morning, but it is the substance of it.'

"It is interesting to take this statement in connection with Governor Harding's closing remark at the end of the convention which we have already quoted and in which he insisted that the discussion of the meeting should not be given to the press or to the people and the only thing which should be given to the press would be a summary prepared by the committee.

"Thus neither the press nor the public ever had any real information on what took place at that meeting.

TRIFLING DISCUSSION BY FIRST DISTRICT OFFICIALS.

"After closing his address the meeting was opened by Governor Harding with an invitation to those in attendance to make reports as to conditions in their communities and in the Federal reserve banks with which they were connected. Mr. Thomas Beal, of the Federal Reserve Bank of Boston, said: 'We seem to have been able to have had some liquidation in our district.'

"And the public knew only too well that there has been a great deal of liquidation due to drastic deflation, not only in Boston but elsewhere.

"Mr. Chamberlain, of the Boston bank, had nothing to say, but added, 'I am the baby director on the board and Mr. Beal is our spokesman.'

"Mr. Kennard, of the same bank, said: 'I am a group 3 director of the first Federal district, and I want to say that we have a very healthy looking baby.'

"But whether he was referring to the bank as a healthy looking baby or to Mr. Chamberlain as the baby director we have no means of knowing, but the public can probably gain some light from the trifling discussion of the healthy looking baby and baby director from men who were facing one of the greatest financial problems that the world has ever had to meet. It was a time which called for real men, men who could think and who could say and did not plead the baby act or newness. However, Mr. Kennard, continuing, said, 'I also think that the rates for money should continue on a high level, with the hope of causing liquidation in commodities. Of course, liquidation would result in low prices and the easing up of business. I do not think this body should encourage any drastic measures of readjustment. I think the deflation should be gradual, and I think we should give more care to the commercial paper that is rediscounted at the Federal reserve banks.'

"That Mr. Kennard or anyone else has found out how high rates of money shall be forced upon a country without producing drastic liquidation in place of gradual deflation he will have discovered something that no other human being has yet been able to discover. Mr. Kennard emphasized the congestion of the transportation facilities and the fact that the warehouses were congested because they did not have the shipping facilities, and this thought runs through a great many of the discussions of that day, and yet without shipping facilities merchants and manufacturers were told that they must ship their stuff in order to liquidate their accounts.

NEW YORK BANKERS FAVORED CURTAILMENT OF EXPANSION WHEREVER POSSIBLE.

"Mr. James A. Alexander, of New York, said, 'We find today, I think, a hesitation in business. Large users of credit are inquiring as to what the future has in store for them. I think now is the logical time to deal with this question, perhaps the best time that has occurred up to now, to bring this credit situation home to the users of credit. Although while this hesitation is on they will get some loans, prices are being reduced, but nevertheless, unless there is a very substantial contraction and a very definite and positive announcement made in some way, the users of credit in the country may become more hopeful again that the situation is not one to be feared, and they will

feel justified in going ahead and making very substantial and large commitments for the future.'

"Following this, Mr. Alexander suggested that the discount rate should be raised, 'not to 6½ or 6¾ per cent but to 7 per cent on commercial paper.' In reply to a question from Governor Harding as to whether the raise in rate would penalize anybody who could not liquidate on account of transportation facilities, Mr. Alexander said: 'I am afraid somebody is bound to be penalized in order to bring about "production." A percentage of 1 per cent is not a very heavy penalty in the way of an interest charge, but it is a very positive announcement that the credit situation is such that further expansion must be presented and that curtailment should be had wherever possible.' When asked as to the transportation situation in his district Mr. Alexander said: 'There is almost no such thing there now'; and he added: 'There is one thing, I think, to be feared, and that is that if the transportation facilities are improved and commodities moved freely and credits are thereby released it may make a temporary ease in the money market, and may encourage people to go ahead and expand. I believe now is the time to put the rates up and to keep them up.'

"From this one might interpret Mr. Alexander's statement as indicating that he did not desire to see transportation facilities improved and commodities moved freely, because that would release credits and encourage the business people to go ahead. May Heaven save this Nation from a policy so narrow visioned and so amazing as that!

"Mr. Treman, also of the New York district, said: 'I think Mr. Alexander has well expressed the general sentiment of the directors in our district, that there is a spirit of hesitation and uncertainty prevailing throughout the country, and that the business interests are looking to the Federal Reserve Board and the Federal reserve banks to indicate what is to be done. We have felt in New York that it was advisable to advance the rate further than at present, because we got good results from the action which was taken in the winter. We believe the time is coming when there should be a further warning by the advancement of the rate throughout the country. Not that it would curtail business—that is, the advancement of a point or a half point in the commercial rate—but it would be a warning to a great many banks that will not be affected by the graduated or progressive rate that in dealing with their customers they should recognize what many of them apparently do not recognize yet, and that is that the credit situation is a very strained one and should be dealt with now before the conflagration becomes too severe. As to the particular method to be employed, Mr. Alexander, I think, has correctly stated the position of the directors of the Federal Reserve Bank of New York—that is, that there should be an immediate raise in rate; second, that the position outlined by Governor Harding with regard to the process and methods of education should be carried out. * * * I am in very close touch with certain of the distributing interests—jobbers in hardware and jewelry and other lines—and I am sure that they are disturbed and they are looking to the Federal Reserve Board and the Federal reserve banks to outline a remedy which will deal with the situation in a sound and sane way at the present time without causing undue alarm. We can do that if we begin and restrict within reason the granting of credit through individual banks. You must do something more than send them requests not to do it. The way to do it is to bring them face to face with the officials of the Federal reserve banks in each district and have them understand the situation and have them in turn go back and deal with the commercial and business interests. We can in addition to reaching the business organizations through their officials reach the agricultural societies and organizations through their officials, so that if there should be an effort to get in touch with the large interests in each district and merely point out the necessity for a reasonable curtailment of credit, the same as we curtailed sugar and coal when there was a real need for it, it seems to me that by the raising of rates now, by the education of bankers individually and by these group meetings and by going on further and extending our suggestions to the business interests of the country, I believe that we can forestall any very serious disturbance in the fall.'

"Mr. Alexander was asked by Mr. Otley, referring to the suggested raise in rates to 7 per cent: 'In view of the basic line that is under consideration by the Federal reserve bank, would it be your idea, Mr. Alexander, to just make a flat rate of 7 per cent or start off the basic line at 6 per cent with a rising scale?' And to this Mr. Alexander replied: 'Make the basic rate 7 per cent. I am in hopes that there will be no plan of progressive rates put in effect in New York. Make the rate 7 per cent. I am speaking of commercial paper. * * * Commercial paper is the thing that is being created in volume

right now and we want to limit it as much as we possibly can limit the creation of commercial paper.'

"Mr. Charles Smith, of New York, said: 'The entire board of our bank is in hearty accord with the advancement of rates as expressed by both Mr. Alexander and Mr. Treman.'

"Mr. John Skelton Williams said: 'Before we leave this question, Mr. Alexander, as you suggest a 7 per cent rate do you not think that one of the effects of a 7 per cent rate as a minimum rate for all banks would be to discharge essential industries? Six per cent is the maximum rate in New York except on bonds and certain other things. A small bank might have an application from an essential industry and it would realize that if it were to lend to that industry the accommodation that it needed it could only reimburse itself at the higher rate or at a loss. It would have to charge that essential industry 6 per cent and would have to pay 7 per cent and there would therefore be no inclination to extend the accommodation at a loss even to an essential industry. On the other hand, if you put the rate at 7 per cent, that would not deter the profiteers who are making 70 per cent profit, 20 per cent, or 50 per cent. My apprehension and wonder is whether a higher rate of interest would not in the long run discourage the essential producers and at the same time have no effect at all upon the profiteers, upon the men who are making exorbitant and extortionate profits.'

"Mr. Alexander replied: 'In the case of a corporation there can be a contract rate, whatever is agreed upon.' But to this statement Mr. Williams replied: 'The farmers, for example, are not corporations and a great many of the smaller transactions are not carried on with corporations.' And to this Mr. Alexander replied: 'No, I am coming to that point. Between corporations there is a contract rate, but in smaller transactions, where you are dealing with individuals and with farmers, 6 per cent is the legal rate. I do not think it makes a particle of difference to any of these borrowers, certainly to none of those with whom we come in contact, whether they pay 5 per cent, 6 per cent, or 7 per cent. The question is, 'Can we get the money?' That is the question to-day. They say, 'You lend us the money and we will pay the rate.' Now, there is the objection as stated by you of charging 7 per cent to the member banks when they can only collect 6 per cent. I think that is a feature of the situation that must be met. In other words, I think the purpose to be served is so great and of such prime importance that these other matters must be considered of smaller importance. I think the bank would have to stand in between the users of credit for essential purposes, if necessary, or they can have balances which will justify them in making a loan at 6 per cent, although they have to pay 7 per cent for the money.'

"Continuing the discussion, Mr. Alexander said: 'That is exactly what you would accomplish by making a profiteer understand that credit is a luxury and difficult to get,' and so a great New York banker, holding the purse strings over hundreds of millions, we believe, wants to make it out that credit is a luxury and it is difficult to get. In this particular case he was referring to the profiteer, but that spirit that 'credit is a luxury, and is difficult to get,' in this particular, prevailed in too many banking rooms where a man was entitled to credit and should not have been made to feel that credit was a luxury.

"Mr. Williams suggested that in dealing with a profiteer the purpose could be better accomplished by saying to him: 'We won't let you have the money,' than by letting him have the money, even at 10 per cent.

"Mr. Alexander agreed to this statement as true and added: 'We could say that they could not have the money and we should see to it that the profiteer is cut out and that the essential industry is carried, even at the expense of the bank.' Referring to those who had engaged in what was called profiteering during the period of rising prices, Mr. Alexander said: 'People of that kind will disappear rapidly, I think, under present conditions, because they will be forced out.'

THIRD DISTRICT COOPERATED IN DEFLATION OF CREDIT.

"Mr. Joseph Wayne, of Philadelphia, said that he did not think the third district was unduly alarmed over the credit situation, but that they 'felt for some time that it required rationing and the green signal had been out.'

"When the Government sold its bonds the Treasury Department and the banks of the country pledged to 20,000,000 buyers of these bonds that they could be carried through the banks until they could be paid for out of earnings. On the subject of liquidating these Government bonds, Mr. Wayne said:

"We may have been subject to criticism for not liquidating more promptly the obligations secured by Government bonds, but we more or less acted along the suggestion of the previous Secretary of the Treasury and the Federal Reserve Board at the time these loans were taken, and it now looks to us to be a pretty bad time to force these bonds on the market. They

are being more or less liquidated. We have been endeavoring in our own bank in the last month to force Liberty bonds on the market, but they do not go on very comfortably. People who have to part with them and lose 13 points do not part with their money very gracefully.'

"When asked by Governor Harding if a 7 per cent rate in New York had forced the Philadelphia bank to put on a 7 per cent rate, Mr. Wayne said: 'No; but you know the general custom is that when one bank raises its rate we usually get a suggestion from the Federal Reserve Board that they will approve a raising of rate for our district, and that usually goes through.' When asked as to transportation facilities, Mr. Wayne reported them as very poor and the freight blockade as serious, and that during the past few weeks the transportation situation had not shown any improvement.

"Mr. Francis Douglas, of the Philadelphia Reserve Bank, reported that some banks were not cooperating to the fullest extent with the Federal reserve bank, and he suggested that a letter stating the actual conditions should be sent to the various banks, not only member banks but nonmember banks, throughout the country, in a plan of education, and added: 'It would be very beneficial and would help a great deal in the deflation of credit.'

FOURTH DISTRICT OFFICIAL FAVORED BREAKING DOWN BUSINESS AND BUILDING UP FROM BOTTOM.

"Mr. Robert Wardrop, of the Cleveland Reserve Bank, said: 'I think a reasonable depression in business will be a good thing for the country,' and he added, 'I really think we would do better if we could get down to a lower basis, a different basis, and then from that we can work up again.'

"In other words, it would be a good thing, according to Mr. Wardrop, which was the view of a leading banker we have already quoted, that business should be broken down and then take a fresh start from the bottom. Millions of people who lost by that kind of teaching naturally question its wisdom.

"Mr. Chess Lamberton, of the Cleveland bank, one whom we have already quoted, also classes himself as a 'baby director,' and declined to express any opinion on any of the subjects discussed.

NECESSITY FOR RAISING DISCOUNT RATE DOUBTED BY FIFTH DISTRICT REPRESENTATIVES.

"Notwithstanding the fact that the Richmond Federal Reserve Bank sent out a circular letter in August, 1920, that it had been urging its member banks for more than 12 months to restrict credit, Mr. John F. Bruton, of the Richmond bank, referring to the heavy demands of agricultural loans, said: 'I hope it will not be necessary to increase the rate of interest, for fear that it might be construed as a reflection upon this great industry, which in the final analysis is doing the work of the country. Probably I am a little old-fashioned, but I have the impression that some positive relief could be had at the discount table of the Federal reserve bank by the discounting committee in drawing in on certain few banks in the district and limiting their borrowings, which would give to their banks the opportunity to make essential arrangements.' When referring to some banks that he thought had been borrowing too heavily, Mr. Bruton said: 'Some of them have two feet in the trough already and it might be advisable to reduce on some of them.'

"The suggestion that any bankers trying to take care of their customers were hogishly inserting two feet in the credit trough seems a little rough, and perhaps Mr. Bruton spoke unadvisedly.

"Mr. Charles E. Rieman, of Baltimore, a director of the Richmond bank, said: 'I hardly see the necessity of increasing the rate at this time. * * * With regard to the retail business, I have made a pretty close examination of it, and I do not think the shelves are overloaded.'

"Mr. Rieman was entirely correct in his position that there was no necessity of increasing the rate and that the country was not overstocked with goods.

PENALTIES IN SIXTH DISTRICT CERTAINLY BECAME STRONG.

"Mr. J. K. Ottley, of the Atlanta Federal Reserve Bank, said: 'The condition of the farmers, merchants, and manufacturers in the sixth district, in large majority, is good.'

"Contrast this good condition of farmers, merchants, and manufacturers in the latter part of May, 1920, as reported by Mr. Ottley, with the chaotic condition of business in that district when, by higher rates and curtailment of credit, business chaos was produced, not only in that immediate district but throughout the country generally. In further discussion of the matter, Mr. Ottley said: 'I would not feel at this time, from an independent standpoint, that a raise in the rate was necessary other than to put in this basic line and make the penalties very strong as they progressed.'

"In view of the fact that penalty for higher rates were inflicted by the Atlanta bank on one Alabama bank, which was

trying to protect its farmer customers, up to 87½ per cent, the Atlanta bank evidently carried out the suggestion of making 'the penalty very strong.'

EMINENT CHICAGO BANKER SOUNDED WARNING NOTE.

"Mr. George M. Reynolds, of Chicago, was evidently not in favor of breaking down business so as to get a new basis from which to start again, for he said: 'If we pass through this crisis successfully and maintain prosperity at anything like its present level, I think the first requisite necessary is the maintenance of confidence. Believing, furthermore, that confidence is to a considerable extent a state of mind, it seems to me that we people who are from the outside points here could do more for the state of mind along the line of trying to enable the members of the Federal Reserve Board to look through our glasses and get the focus of things as we see them at the other end of the line.'

"What a daggerlike thrust that was on the part of Mr. Reynolds against some members of the Federal Reserve Board when he, as one of the greatest bankers of America, suggested that one of the most important things was to get the Federal Reserve Board to look at the situation from his standpoint. What an infinite pity Mr. Reynolds was not able to bring about such a desirable change of vision! Further discussing the subject, Mr. Reynolds said: 'I would not be honest with myself if I did not express my own frank opinion on some of the questions that have been raised here. I have not lost my belief in the theory that the yardstick is the interest rate, which is after all the best means of controlling the demand for money. * * * I hope the Federal Reserve Board and the other people interested in this problem will not overlook this one principle.

"As I understand it, reserves are kept and amassed and impounded for the purpose of loans in times of emergency.

* * * Take the central reserve cities, and there are deposited in those banks, as you know, secondary reserve deposits, which since the organization of the system have been lying there dormant. In times like this when there is an emergency there is a shrinking first in deposits, and then many of these institutions come back to us for credit requirements which are not borrowed ordinarily. We have that situation in this crisis.

* * * In every institution in this country there is a large amount of paper which is not eligible for rediscount at the Federal reserve bank, but at the same time it represents the very cream of paper in so far as the question of safety is concerned. * * * It may seem to you people here that under conditions which arise whereby there should be deflation rather than inflation the banks should stop loaning money. That is just as impossible without trouble as it is for us to fly out of this room. * * * I have not one particle of fear about the outcome. It is just a question of using what we might call horse sense and not getting stampeded or excited or doing something under stress of excitement or going off, as we sometimes say in the country, half cocked.

"Mr. Charles H. McNider said: 'We feel there must be reason, there must be sanity, that the essentials must be taken care of, that there can not be an extraordinary cutting down of credits at this time because that would create disaster. * * * We ought to deflate in a sane and reasonable manner.'

"Unfortunately, Mr. McNider's suggestions were not taken, for we deflated in an insane and extraordinary manner, and the result was world disaster.

"Mr. E. L. Johnson, of the Chicago Reserve Bank, said: 'I believe that education and propaganda must be carried on, with authority and with strength, carried on from this board and from these gentlemen here down to all the nonmember banks on to the small business man in the small factory.'

"Evidently the propaganda was carried on and carried on with authority and with strength, for bankers everywhere were warned to curtail credits, and naturally any man who was not a fool from the top of his head to the bottom of his feet knew that that meant the breakdown of prices, the breakdown of business, and the increase of unemployment; and therefore every man stopped buying raw materials or finished products of every kind. Mr. Johnson added that Governor Harding's speech should be 'properly disseminated among them with the show of authority, even if you do not have it.'

"What an amazing statement for one of the directors of the Federal Reserve Bank of Chicago to make to the effect that Governor Harding's speech should be broadly disseminated among the banks with a show of authority, even if Governor Harding did not have such authority!

MINNEAPOLIS BANKER WANTED TO STOP HIGH FINANCE IN POLITICS AND BUSINESS.

"Mr. Wesley C. McDowell, of the Minneapolis Reserve Bank, said: 'I do not like this increase in rates. Out in our part of the country we have been going a little bit wrong on our thinking, so that we have established a bank of our own, called the

State Bank of North Dakota. * * * I think that any method that would raise the rate arbitrarily when the farmer has had four or five years of poor crops * * * it looks to me like the institution they told us of when we started the Federal reserve system that was going to take care of us and prevent panics was now going to fall down and penalize them. * * * It seems to me that now is a poor time to penalize the little fellow. * * * The Federal Reserve Bank of Minneapolis is making \$10,000 a day. Is that profiteering, when they have been using our money without any interest ever since it started? Is the Federal Reserve Board going to be put in the same class with the sugar profiteer and the manufacturer who has been making big money? * * * So I say again, it does not seem to me that now is the proper time to increase our rate. We want to cure that unrest out there more than we do anything else. We want stop some of this high finance in politics, in business.'

DRASTIC REMEDIES OF TENTH DISTRICT MANAGERS PROVED FATAL TO VICTIMS.

"Mr. J. C. Mitchell, of Denver, director of the Kansas City Federal Reserve Bank, referring to the condition in his district, said: 'In my opinion we corrected the trouble there by putting in the progressive interest rate; we felt we had to do something. We considered it a little bit drastic, but we thought we would try it, and we did try it.'

"It looks like the directors of that bank were trying an experiment the end of which they could not see. Mr. Mitchell thought it was a success. We venture to say that a million people in that territory thought it was a dismal failure. It looks very much like the quack doctor called in to attend an ill child. The quack admitted that he could not diagnose the case, but, said he: 'I am hell on fits, and I will throw the child into fits and cure the fits.' Unfortunately, the child died, and many a farmer and many a business man in the Southwest died financially because of the action of the Kansas City bank.

"Mr. W. J. Bailey, of the Kansas City Reserve Bank, said: 'I am well convinced, gentlemen, that you will bring the Federal reserve system back to a reserve system rather than a commercial system if you will make it unprofitable for certain great banks to use the funds of other banks.'

"What a pity that Mr. Bailey did not mention by name the great banks against which he aimed this dart! Then he added: 'I think the real remedy is in a graduated rate. Of course, make the basic line whatever you want and let us say you would raise the rate to 7 per cent. Now, the only complaint we have among our banks is that there ought to be a maximum rate. I do not believe that, gentlemen. I would put a danger signal here and another there and another up there—that is, death; and he will never go against the death signal. You have made the Kansas City Federal Reserve Bank a broker's shop; you have changed it from a reserve bank to a commercial bank and I want to get it back, and that is the reason I am in favor of the graduated rate.'

"Mr. Forgan offered a resolution that a committee of five be appointed 'to prepare a resolution in regard to the effect the transportation situation is having on the expanded condition of credit in the country, with a view to placing such a resolution before the Interstate Commerce Commission, requesting them to do what in their power they can to relieve the situation by increased freight rates or otherwise.'

"It has been reported that one of the thoughts expressed by some at that meeting was that one way to break down business in addition to restricting credit was to secure increased freight rates and thus lessen the volume of business, bringing business down to a point where the railroads and the banks without trouble could transport and finance the business then for operation. That does not, however, appear in the resolution nor in the report of the meeting, but that was a current report in Washington at the time of the meeting as the intention of those who sought to persuade the Interstate Commerce Commission to raise rates.

GRADUAL DEFLATION FAVORED BY ELEVENTH DISTRICT MANAGER, WHO DOUBTED WISDOM OF PROPOSED RAISE IN RATES—WITH 100 PER CENT PROFIT, FEDERAL RESERVE BANKS WERE ALREADY CHARGED WITH PROFITEERING.

"Mr. John T. Scott, of the Dallas bank, said: 'Speaking of the increased rates proposed by some of the districts, I can not find myself in agreement on that proposition. We have already increased the rate, and the increase of the rate is not going to correct the evil unless the member banks all cooperate.'

"We might increase the rate from 7 to 8, 9, and 10, and the situation would still be uncorrected. I believe we ought to continue our efforts with our member banks throughout the country and induce them to curtail their loans as far as possible to only the legitimate needs of legitimate business, and by that means we can bring about in a normal way the deflation of credit. We must remember that this inflation has not taken

place over night; it has been going on from three to four years, and it is going to take some time to correct it. We can not hope to correct the situation in a day or a month or in six months. We have got to go at it in a sensible way, to bring it about in a gradual way rather than attempt to correct it within a short period of time. The Federal reserve banks have been charged with profiteering by reason of the rates they are now charging. We are making in the neighborhood of 100 per cent on our capital. * * * The Federal Reserve Bank of Dallas has already adopted the progressive rate proposed to be put in wherever the executive committee finds it necessary to do so. * * * We have sent out two letters within the last three months to the member banks. The last one was sent out at our last directors' meeting, under the order of the directors, to be sent under personal cover to the president of each member bank and by registered mail, so the letter would receive attention, and they were requested to read these letters at the next meeting of their boards.

"With a registered letter to the president of each member bank and requirement that he read this letter at the next meeting of his board of directors the Dallas bank was evidently following the suggestion of Mr. Johnson, of the Chicago bank, who suggested that the governor's speech should be disseminated among the bankers with a show of authority, even though the governor did not have the authority. The Dallas bank either had the authority or it took it, and at any rate the member banks that received that registered letter well knew they were taking their life in their hands if they failed to obey it.

"Mr. B. A. McKinney, of the Dallas bank, said: 'From a study of the condition of those banks I can say that throughout all the districts they are in stronger condition to-day than they were a year ago.'

"That favorable condition, however, hardly held good after drastic deflation was put into effect.

WIELDING A CLUB ON FRIEND AND FOR ALIKE NOT APPROVED BY TWELFTH DISTRICT DIRECTOR.

"Mr. C. K. McIntosh, of San Francisco, said: 'We are thoroughly in accord with the resolution adopted and with the speech of Governor Harding outlining the methods that are desirable for us to proceed on. We can see the problem and we know fairly well some of the causes. We know that there is a demand that exceeds the supply of credit; we know there must be discrimination, and we are ready to join in any proposition. * * * I can hardly conceive that it is wise, in the endeavor to keep out the undesirable feature, to permit it to be rocked, even though the rocker is willing to pay 7 per cent for the privilege. I find it hard to convince myself that it is the most intelligent restraint to wield a club on the heads of friends and foes alike. A rate which applies beyond a certain arbitrary and calculated line has its effect, but without regard to what the man on the other end of the line is doing it is something like running into a melee with a club in one's hand to assist in quelling it and making up your mind you are going to strike every fellow on the other side of the fence, whether he has his coat off helping to reduce the melee or whether he is one of the main instigators. It seems to me the character and not the amount of opposition should be the prevailing factor in penalties. * * * We must have the assurance, or should have the assurance, that we may have the unqualified support of the Federal reserve banks in our district, because that is their job; also the reserves are not sacrosanct; they are not to be framed and hung on the wall. That given the purpose, given the fact that the real purpose is being served by the advance, the Federal reserve bank must help us, must help those who are doing that thing, and must decline when discrimination is practiced against those not doing that thing. * * * If we can go to our people with the assurance that there is credit available for the production of essential and quickly assimilable things and that as compensation for that use we must ask to refrain from the demand for credit for those things not essential or for those which in our minds are not essential, we shall have gone a long way toward solving the difficulty as far as it is within our power to do so.'

"Unfortunately for the good of the country the reserves were regarded as sacrosanct and were not called upon to help out in the emergency—the very thing for which they were established—and the banks did not, with the cooperation of the Federal reserve system, guarantee to their customers credit for essential things.

CALLING LOANS AGGREGATING \$2,000,000,000 PROPOSED AS DESIRABLE WAY TO PREPARE FOR FALL BUSINESS.

"Mr. John Perrin, of the Federal Reserve Bank of Chicago, said: 'The way to meet that problem is to bring about in the next three or four months a definite amount of contraction which would permit us to expand correspondingly in the fall.

If it were possible for every bank in the country to reduce its loans during the next three or four months to the extent, say, of 10 per cent, there would be a total expansion in the fall possible of approximately \$2,000,000,000.'

"Here is a definite suggestion as to calling loans amounting to \$2,000,000,000 in order that they might be reloaned in the fall, or, in other words, break down business in order to give it a fresh start a few months later!

"Mr. Forgan said that the calling of the convention 'has stirred up sentiment throughout the country and there has been some thought, I think, of a good deal of misapprehension of what we were going to do when we got here. The fear got out that we were going to meet here and in some way were going to classify loans into essentials and nonessentials and with that even send an order through the country that there were to be no loans on what we term nonessentials.'

"Mr. Forgan then presented some documents from the American Bankers' Association committee and other organizations which had been disturbed by the unrest already created throughout the country by the campaign of deflation which had been for some time under way by Federal reserve banks and by the fear that this convention would make still more drastic rulings. Letters were presented also from some leading business concerns along the same line. If any of these big business interests were tipped off in advance as to what was to be done prior to this information leaking out to the public they would have had an opportunity to make many millions of dollars. If, for instance, some corporation through some member of this meeting learned that deflation was to be continued it would have had a chance to unload before the break in prices came. It is hardly possible that, as 100 copies of the report from which we are quoting were printed for confidential circulation, so we are advised, and the type then destroyed, some people did not have an opportunity of learning what the public had not learned and thus of having the opportunity of utilizing this information in a way which might have made millions or saved millions.

"Mr. F. O. Watts, of Federal Reserve District No. 8, chairman of the committee on transportation, made a report for the committee reviewing the inadequate transportation facilities of the country, which were hampering business, and in the course of which it was said: 'A striking necessity exists which can only be relieved through the upbuilding of the credit of the railroads. This must come through adequate and prompt increase in freight rates. Every delay means the paying of greater cost, directly or indirectly, and places a burden on the credit system which in the approaching time for seasonal expansion may cause abnormal strain. Even under the light of war inflation, high price level, and extravagances the bank reserves would probably be sufficient if quick transportation could be assured during the time of the greatest strain.'

WERE INCREASED FREIGHT RATES SUGGESTED AS MEANS OF LESSENING VOLUME OF BUSINESS?

Mr. Watts offered the following resolution, which was unanimously adopted:

"Resolved, That this conference urge as the most important remedies that the Interstate Commerce Commission and the United States Shipping Board give increased rates and adequate facilities such immediate effect as may be warranted under their authority, and that a committee of five be appointed by the chair to present this resolution to the Interstate Commerce Commission and the United States Shipping Board with such verbal presentation as may seem appropriate to the committee."

"What was the verbal presentation made by the committee to the Interstate Commerce Commission in behalf of increased freight rates? Was it, as some have surmised, a suggestion that it would be better temporarily to lessen the volume of business of the country in order to enable the railroads and the banks to handle it? Some rumors to that effect were circulated at the time. Were they correct?

"Mr. Wayne raised the question of graduated rates on borrowings or rediscounts and said: 'I would like to know whether in the districts that have adopted this procedure there has been eliminated the question of borrowing on Government securities from calculations as to the line of credit granted to a bank?'

"Governor Harding replied: 'In the Kansas City district and the Dallas district, in their tentative plans they have eliminated entirely borrowing on Treasury certificates of indebtedness and on Liberty bonds actually owned on the 1st of April, 1920.'

"Mr. Wayne then asked: 'Have they made any reference to collateral notes of customers that have been discounted by the banks as a result of Liberty loan subscriptions?'

"Mr. Bailey replied: 'They have to belong to the bank on the first day of April. We have made that rule.'

"Mr. Scott said: 'It is the same way in the Atlanta district.'

"Mr. Wells said: 'He wants to know if customers' notes secured by Liberty bonds are exempt from the application of it'; and Mr. Bailey said: 'They are not.'

"When the Federal reserve system undertook to violate every promise made by the Government and by the banks in persuading people to buy Liberty bonds, promising to carry them and then calling loans on them in order to force them out of the banks, breaking them down from 12 to 15 points or more, the honor of the Government and the good faith of banks was trampled in the mire and millions of bonds bought in good faith by patriotic people to help the banks and help the Government were forced to be sold at a loss, and the National Government bought in \$2,000,000,000 of its own dishonest promises to pay and the Secretary of the Treasury boasted of the money that had been saved in doing so! And at these low prices hundreds of millions of bonds were bought in by big estates and big institutions, with heavy losses to innocent original purchasers.

"At the afternoon session it was proposed to appoint a committee of five, as that number 'would be more impressive,' to prepare some kind of a statement or memorandum to be submitted back to the conference, which we can use as a basis of a press statement and which you can all use as a basis of a statement to your own banks when you get back home touching the situation as you see it, and forestalling any more remarks such as were made in the Senate yesterday as to all kinds of trouble coming, and yet being careful not to stir up another bomb."

PRESS DENIED OPPORTUNITY OF GETTING FACTS OF MEETING.

"When the press is denied the right to learn for itself what is going on and must accept as law and gospel any prepared report, the public may rest assured that it is not getting the real facts, and yet such a prepared report was all that the press has heretofore ever been able to secure as to the discussions which took place in that meeting.

"Mr. John Skelton Williams, discussing in the afternoon some of the things that had been said during the morning, said: 'I do not think myself that there is any ground for expecting a commercial cataclysm or crisis such as some people are predicting. * * * I see nothing in the situation to justify the fear of such a commercial crisis or financial catastrophe as we had either in 1873 or in 1890 or in 1907. If anything of that kind comes it will be our fault, the fault of those who are in charge of the banking and commercial interests of the country, and I do not believe they are going to bungle it.'

"Unfortunately those in charge of the banking interests of the country did bungle it and bungled it badly, as Mr. Williams has repeatedly said that they did, and proved by the figures which he has published showing how badly it was bungled.

"Mr. Henry A. Mohlenpach, member of the Federal Reserve Board, and who, it is generally thought, joined Mr. Williams from time to time in vigorous opposition to the drastic deflation campaign carried out by Governor Harding and other members of the board, in following Mr. Williams's address said: 'I think it to be right to say that there is no member of the board at this time that has been related to your problem so directly as perhaps I have been, because I have just come from the desk and I have during the past six months visualized the proposition you are up against, and I want to say right here, gentlemen, that I refuse to be a pessimist. I quite agree with the comptroller. That does not mean to say that I am an expansionist or an inflationist, but I do believe in the broad general proposition that we have just as much right to take stock of our assets and of our privileges and of our opportunities as we have of the darker phases of the question. * * * I believe out of this question will come a stronger, higher morale on the part of the bankers themselves.' And referring further to the situation he said: 'It is just exactly to my mind what this situation needs; not a contraction that is going to hurt; it needs the steady nerve of the bankers, just as they faced their problems in 1903 and 1907.'

"The situation did need, just as Mr. Mohlenpach said, the kind of handling that would not produce a contraction to hurt business, but in place of that it got a contraction that well nigh destroyed business. Mr. Mohlenpach and Mr. Williams thought that the management of the Federal reserve system would not bungle the job, but the most disastrous commodity panic in the world's history and the most disastrous agricultural condition which this country has faced in its whole life proved that the job was badly bungled, unpardonably bungled. As one of the speakers said, it had taken three or four years of inflation to

carry us to the top, and it should have been evident to every man that the only way to come down safely was to take as long in coming down from inflation as we had taken in climbing up. This, however, was made impossible by the urgent efforts of Federal reserve banks to cause member banks to restrict credit and with the Federal Reserve Board carrying out its constant efforts to impress upon all banks the need of restricting credit and curtailing business operations chaos was inevitable.

\$32,000,000,000 LOSSES AS RESULT OF RESERVE BOARD'S DEFLATION PROGRAM.

"As the Manufacturers Record showed a few weeks ago, the decline in the value of farm lands in 1920 and 1921 under deflation amounted to about \$18,000,000,000, and the decline in the value of farm products of these two years as compared with 1919 prices showed a decrease of over \$14,000,000,000, making a total loss to the farmers of upward of \$32,000,000,000. If to this we add the decrease in securities, stocks, and bonds of railroads and industrial corporations and the losses in the decline of output in manufacturing and mineral industries, it will be found that under the system pursued of erroneous financing and financing directly contrary to the teachings of such bankers as Reginald McKenna and others of his standing we wiped out about \$50,000,000,000 of values, a staggering loss which well nigh shocked the very life out of the country. Mr. Wayne, referring to the proposed progressive discount rate, said, 'It does not appeal to me as a director of the Federal reserve bank at all, at least for operation in our district. I am afraid it will do just the opposite for which the Federal reserve act was enacted. In other words, the act was proposed to enable the banks to cater to commercial business. I know in the operation of our bank we were very often called upon to borrow quite heavily and we cut it down as fast as we could, but if we are going to accumulate a batch of commercial paper, either by direct transactions for customers or by purchase on the market, because our borrowings at the Federal reserve banks happen to go beyond a certain limit we are going to be heavily penalized, we are going to stop buying the paper, and we are going to invest our money in call loans on Wall Street, which is exactly what the Federal Reserve Board does not want the member banks to do. * * * I think that you are going to defeat the very purpose of the act, which was to enable commercial banks of the country to do a safe commercial business. We will simply be driven into call loans on Wall Street for our surplus money if they are going to penalize us.'

"Mr. Scott, in discussing the matter, said, 'We find that about 80 per cent of our members are small country banks, with a small capital and small deposits. * * * They are the ones that we really need to help out in the farming communities. We had a complete list made up of every borrowing bank, showing what its rate would be if they were under the Kansas City plan, and we found that some of them ran up as high as 18 and 19 per cent. If that plan were applied it would mean the ruination of the agricultural districts.'

"That plan was put into effect and the agricultural districts were ruined, exactly as Mr. Scott had predicted."

"After considerable discussion in regard to the progressive rate and vigorous opposition on the part of a number, Mr. Mohlenpach said, 'Is it absolutely necessary in every transaction made in a Federal reserve bank that it has got to be made on a basis of profit to the Federal reserve bank, or is it not time that these reserve banks will have to forego their profit in this overplus of borrowing when the country banks have to move crops or other commodities?'

"Judging by the 100 per cent profit that the Dallas bank was making, as one of its officers said, and the \$10,000 a day that the Minneapolis bank was making, it looks as though every Federal reserve bank did business only on the basis of a profit on each transaction, regardless of its effect upon the country at large.

UNHEEDED WARNINGS OF COMPTROLLER OF THE CURRENCY JOHN SKELTON WILLIAMS.

"As shown by letters from John Skelton Williams, then Comptroller of the Currency and a member of the Federal Reserve Board, Mr. Williams repeatedly warned the board of the danger that faced the country from its deflation campaign. In a speech before the Maine Bankers' Association at Bangor June 26, 1920, Comptroller Williams called attention to the fact that the Federal reserve banks had an unused lending power at that time of about \$700,000,000 and that if the reserve requirements should be temporarily reduced by only 10 per cent the total unused lending power of the reserve system could be increased to two thousand million dollars.

"Nevertheless the financial situation, under the reserve board influence, grew worse, and on July 31, 1920, Comptroller Wil-

Williams gave a statement to the press showing that the unused lending power of the reserve banks was still \$750,000,000. Mr. Williams added in that statement: "Such figures as these ought to be sufficient to allay fears of pessimists as to the financial condition of the country at this time."

"Mr. Williams's statement was resented by the chairman of the Federal Reserve Bank of New York, who promptly wrote a letter to the reserve board complaining that Mr. Williams's public statement was interfering with the plans for deflation."

"On August 9, 1920, Mr. Williams called attention of the reserve board to the fact that certain banks in New York were using the funds of the reserve system for speculative ventures and were extorting grossly excessive interest rates from customers, so that business men and merchants needing funds for legitimate business were being required to pay exorbitant rates."

"August 26, 1920, Comptroller Williams filed a memorandum with the board urging a reduction in rates which the reserve banks were exacting on Liberty bonds and for legitimate business transactions, and he also warned the board at that time that the drastic liquidation which had already taken place in leading commodities, including cotton, corn, wheat, rice, silk, wool, leather, etc., had brought about a shrinkage in some cases amounting to over 50 per cent. He also showed the board that the pressure had been so great that the prices of Government bonds and other high-class investment securities had been broken down to the lowest level they had touched in half a century. At that time he told the board: 'Such additional liquidation as is needed could be brought about without the exaction of interest rates as high as those which have prevailed.'"

"On October 26, 1920, in a letter to the Secretary of the Treasury, remonstrating against the reserve board's policies and urging a revival of the War Finance Corporation, he said: 'The shrinkage in our leading commodities throughout the current year has ranged from 25 to 75 per cent from prices of less than a year ago. This shrinkage amounts not to millions or hundreds of millions but to billions of dollars. The strain upon the business fabric of the country is in some respects unparalleled, and I do feel that the time has come for the exercise of such salutary and constructive powers as may be at our command.'"

"The reserve board's answer to Mr. Williams's protestation and remonstrances was to tighten the screws still further and to force a contraction or deflation in loans held by the reserve banks which amounted to one thousand million dollars in the succeeding 12 months, every month showing an actual contraction from the preceding month."

"When Comptroller Williams a few weeks later offered a resolution in the board to require the banks which had been exacting extortionate interest rates from member banks—as high as 50, 60, 70, and 85 per cent—to limit interest charged member banks to 6 per cent, the board voted down his resolution, and when in February, 1921, he offered another resolution to limit the interest rates charged member banks to 10 per cent they also voted that down."

"At the close of the meeting, in which only one day was given to this general discussion of the most tremendous financial problem that this country had every faced, when days and days might well have been spent in a careful analysis of the situation, the meeting was closed with the statement by Governor Harding, which we have quoted in the opening paragraph, insisting that nothing should be given out by those in attendance in regard to the discussions that had taken place; and thus the public was to be kept in dense ignorance, knowing nothing except the official statement issued by the committee, and from which the public and the press could get no information worth having as to what was being done or would be done by Federal reserve banks."

"We do not know what has become of the 100 copies of this stenographic report of the day's proceedings which were printed for confidential distribution, but the Manufacturers Record feels that in having secured one copy and in giving this summary of it to its readers it is rendering a service of inestimable value to the Nation."

PERILOUS CONDITION OF THE BANKS AND GREAT INDUSTRIAL TRUSTS.

MR. LADD. Mr. President, previous to the World War the larger banks of the United States, especially those owned and controlled by international bankers, were overloaded with debts that they owed and held as collateral security against the great industrial trusts, manufacturing corporations, and business enterprises of the people of the United States. Fully 90 per cent of these debts had been created by the banks loaning a false and fictitious substitute for money known as "bank credits"—that is, money having no existence and represented only by credit and debit figures upon the books of banks.

As a logical result, when the demand for these debts was made, calling for payment in money, business depression set in, and as an illustration of its effect, the common stock of the United States Steel Corporation dropped to 30 cents on the dollar, as it had skipped its dividend payment and was heading for a receivership. If this had occurred the other great trust combinations would have been likewise affected, producing financial chaos among the banks of the country, as it would have been impossible for their debtors to pay their debts in money."

International bankers, anticipating this situation, formulated and put through Congress in 1914 their fraudulent gold basis Federal reserve act, granting banking corporations organized for private gain, first, the power to rediscount the debts of borrowers and receive the proceeds in Federal reserve notes from the Government, thus giving banks the power to convert debts into money; second, the astounding privilege of rediscounting the debts of borrowers and having the amount credited to their "reserve," and upon this reserve, so created, loan from eight to ten times the amount, thus putting the people deeper and deeper in debt. This afforded the banks the opportunity to make unheard-of profits."

In 1914, when the European war started, tremendous war orders from the Allies in Europe were placed with these great trusts and corporations, showing profits running as high as 500 per cent; as a result the stocks of these trusts and corporations advanced in value to unprecedented high levels, which enabled them to obtain additional loans from the banks to increase the capacity of their manufacturing plants to meet this growing demand."

This was their situation when the alarm started that the Allies had exhausted their means of making payments on their debts and could not purchase more in the United States unless they were given uncovered credits; in other words, they could put up no more collateral security for loans or pay the debts then due in the United States, amounting to billions of dollars. It was then forced upon the attention of these international bankers that if the Allies were defeated or Europe was bankrupt as a result of the war they would face a total loss."

The resourcefulness of the international bankers in high finance was put in operation and the plan put through to shift the obligations owed them by the Allies upon the taxpayers of the United States. This was done by getting Congress to authorize the exchange of United States bonds for the worthless promises to pay of the bankrupt countries of Europe which they, the bankers, would not accept, knowing that Europe, with a war debt of over \$200,000,000,000, would have to repudiate them."

Thus the bonds put upon the taxpayers of this country were used to pay the debts of the Allies to the banks, industrial trusts, and corporations in the United States."

This was another gigantic conspiracy of international bankers to rob the people, that will be more fully exposed in the near future. The people of the world have been financially ruined by a false banking and currency debt manufacturing scheme, built upon a fraudulent and dishonest gold basis, and the present move of international bankers for an economic council of experts to adjust German reparations and stabilize the mark is an international subterfuge to entangle the United States financially with the bankrupt countries of Europe, to reestablish the gold standard, or gold-basis banking and currency scheme, through which international bankers control the money and credit of the different countries of the world."

The people of the United States should resist at any cost this attempt to reestablish the fraudulent gold-basis money scheme, as it will inevitably rivet the chains of industrial slavery upon 90 per cent of our people or end in civil war."

THE WORLD'S CONDITION PROVES THE IGNOMINIOUS FAILURE OF THE BOASTED GOLD STANDARD.

There is no misrepresentation too erroneous, no falsehood too malicious, no assumption too baseless for the hired agents of the money power to resort to accomplish their insidious purposes. For instance, they hold up to the world the financial distress of the devastated and debt-burdened countries of Europe as horrid examples of countries that are hopelessly striving to establish a monetary system other than the one which they dominate and which they misname the gold-standard system, which never had an actual existence."

Let us go back to the financial condition which existed in these countries previous to the World War. For instance, Germany, the most powerful and progressive nation on the Continent, was on the gold standard or the gold basis and all other forms of money or currency was redeemable in gold. At the beginning of the European war Germany realized that her gold-based money system could not stand the strain of carrying on

the war and allowed banking corporations to issue and loan their nonlegal-tender notes as a substitute for legal-tender money. Upon this fraudulent gold basis billions of debts were created upon the German people by the loaning of "money of account," a false and fictitious money, having no existence and represented only by credit and debit figures upon the books of banks. These banking corporations were also granted the power to issue billions of marks in "bank notes" as a substitute for money. The gold-basis money system upon which this gigantic issue of currency—German marks—is based has been absolutely destroyed by the war. The validity and value of money depends upon, first, its being full legal tender; second, the solvency of the country issuing it; third, the sovereign power of its government to enforce its acceptance in payment of all debts, public and private; fourth, a proper regulation of its quantity.

The German mark has none of these essential requirements to protect its value. The German Government is now bankrupt and in the hands of receivers (the Reparation Commission) representing the Allies, holding a mountain of debts against the German people sufficient to keep them in debt slavery for over a hundred years.

RESULTS OF FEDERAL RESERVE SYSTEM.

I am fully justified in stating that the peak of official perfidy and financial iniquity was reached when the Federal reserve system was imposed upon the American people by the world's investment bankers. For defeating the very purpose its sponsors publicly claimed for it, it can not be matched. It was an unpardonable national crime. The few redeeming traits that it possesses are rendered nugatory by what its originator, Paul M. Warburg, styled "in an administrative way." Through the notoriously dishonest manipulations of this infamous system, the purchasing power of the farmers of the country has been deflated \$18,000,000,000 in a single year. When we stop to consider that there are 6,500,000 farms in the United States employing 13,000,000 men, we at once realize that the farmer is the largest employer of labor in the country. He produces all our food and clothing and pays nearly 60 per cent of the freight charges, in the capacity of producer and consumer. Every farm is a producing and consuming plant. Just think of the prodigious amount of supplies that are consumed in the aggregate by the farmers of the United States: Threshing machines, reapers, rakes, binders, tractors, wire fencing, tiles, in short farming machinery and implements of all kinds, building material for homes, barns, and outhouses, fruit trees, fertilizers, plants, and the scores of things these will suggest. Now, it is as plain as a geometrical axiom, that just in proportion as you reduce the purchasing power of the farmer in the same proportion you diminish the prosperity of the Nation. In the face of these indisputable facts is it not a burning, blistering shame, tantamount to a national scandal that the time of the Congress should be wasted and frittered away considering such an iniquitous measure as the one under consideration while the working farmer is pushed into irredeemable bankruptcy by the force of unjust laws and the dishonest and inefficient administration of others. Can you imagine anything more cruel and merciless than the foreclosure of a farm mortgage that robs industrious, thrifty, peaceable, country-loving, law-abiding American citizens of years of weary toil, to turn it over to men who never performed a day's labor, produced a dollar's worth of wealth, rendered any useful service to society, who have done nothing, in fact, to aid the advancement of a true civilization or to furnish the slightest pretext for their own existence? To compare them to parasites that fatten on other organisms would be doing injustice to the parasite, as the latter do not intimidate, discriminate, or deceive their prey; they are vampires that with ruthless indifference extract the very lifeblood of their helpless victims.

According to John Skelton Williams, former Comptroller of the Currency, the earnings of a lifetime were turned over to these modern Shylocks through the unexpected and wholly unnecessary deflation of the currency by the faithless and merciless connivance of officials of the Federal reserve system. These public officials, although supported by the people and supposed to serve them in a public capacity, have no interest in the general welfare, no sympathy for the toiling masses, but are entirely devoted to the predatory privileged interests. Their insatiable rapacity, if allowed to continue, is bound to wreck our Government as they have already wrecked monetary and transportation systems and our most productive industries, and eventually retard and then turn back our civilization as other civilizations have been turned back in the past by the very same causes, for a civilization that concentrates enormous wealth in the hands of those who have not produced it and takes it from those who have must inevitably evolve dis-

order and bring disintegration. The dangers that menace us are the natural and inevitable result of the kind of legislation we are now considering. All our industrial progress and material achievements have not brought the benefits, advantages, and blessings which our Creator intended them to bring, because we have permitted the predatory privileged interests to impose upon us laws to enrich themselves at the expense of the real wealth producers of the Nation. The appalling decline of the purchasing power of the farmer resulting from the rapid and unwarranted decline in the prices of farm produce is evidently the chief cause of our industrial depression, which started with the basic industry, communicated itself to every other branch of the industrial organization, causing a dislocation of the various parts of the whole intricate network of production. The rapid decline of prices of farm products, which so diminished the purchasing power of the six and one-half million farmers, showed itself in the decline of effective demand for manufactured articles and other products of industry, resulting in the closing of mills and factories or their being operated at a small percentage of their capacity. Only the greatest and most powerful of the industrial organizations, like the Standard Oil and United States Steel, were able to maintain prices, and this was made possible by monopolistic privileges. Injustice to the farmer is the primary cause of the unemployment of millions of men able, willing, and anxious to work to produce the things essential for the gratification of their own desires and those of others. The conclusion is irresistible, and from this conclusion there is no escape, that peace and prosperity can not be reestablished until we do justice to the farmer who works the farm and prevent financial bandits from farming the farmer who works the farm. Never before in the history of this Nation was there such an urgent demand for honesty, intelligence, and courage on the part of the people's representatives as there is at this very moment. Their responsibility to the people in this great emergency is grave and serious.

SOME RAILROAD JUGGLING AND CORRUPTION.

Mr. President, the ship subsidy bill, if enacted into law, will take untold millions from the earnings of the people and hand them over to the very men who by the prostitution of governmental functions have brought us to our present low estate.

The operation of our railroads by private interests, if we may believe history and the record of the roads, is the blackest chapter in the history of civil government. It is a long, unbroken series of incredible stupidity, shameless dishonesty, flagrant inefficiency, disgraceful perfidy, and the rankest corruption and debauchery.

What I am about to read to you is not from a progressive, a nonpartisan leaguer, a Bolshevik, an anarchist, or a red, but from the records of our conservative Interstate Commerce Commission—Report No. 6569, in re financial transactions of the New York, New Haven & Hartford Railroad Co.:

The result of our research into the workings of the former management of the New Haven system has been to disclose one of the most glaring instances of maladministration revealed in all the history of American railroading. In the course of the investigation many instances were uncovered of violation of the laws of different States.

The difficulties under which this railroad system has labored in the past are internal and wholly due to its own mismanagement. Its troubles have not arisen because of regulation by governmental authority. Its greatest losses and most costly blunders were made in attempting to circumvent governmental regulation and to extend its dominion beyond the limits fixed by law.

Here we have an emphatic denial of the railroads stereotyped complaint that the inefficiency and insufficiency of the railroads to serve the people as common carriers was due to Government regulations and interferences. We are here told by the Interstate Commerce Commission after an important and exhaustive investigation that the difficulties with which the railroads have labored in the past are directly attributable to dishonesty, incompetency, and contemptuous disregard of the principles of justice and common decency by their financial managers. Their disastrous failures are not because of regulation by governmental authority, but in utter disregard of it. Their gigantic losses and criminal blunders were made in attempting to circumvent governmental regulation and to extend their dominion of plunder and exploitation beyond the limits fixed by law. Just think of it! The capitalization of this one system was increased \$324,000,000 in 10 years, a fictitious capitalization representing not a single dollar of actual investment, on which, under the provisions of the Esch-Cummins law, the people must pay a guaranteed interest of 6 per cent.

We hear a great deal these days from the seats of the mighty about compelling our alien population to respect the law and reverence our institutions, but what is their ignorant infringement of our laws compared with these atrocious robberies by

our railroad magnates? Consider for a moment the criminal negotiation by which the enormous sum of \$36,400,000 was squandered on a road only 18 miles in extent, not at all essential to the system, and operated at an annual loss of \$1,250,000; the payment of \$2,700,000 for the retention of a parasite, a transaction in which he rendered no service to the New Haven railroad; the inability of another to render any account of \$1,032,000 intrusted to him; the distribution of \$1,200,000 for corrupt purposes in securing amendments in the charters of the Westchester and Port Chester franchises. I quote further from the report of the Interstate Commerce Commission:

The subject matter of this inquiry relates to the financial operation of a railroad system which, on June 30, 1903, had a total capitalization of approximately \$93,000,000, of which \$79,000,000 was stock and \$14,000,000 bonds. In the 10 years from June 30, 1903, this capitalization was increased from \$93,000,000 to \$417,000,000, exclusive of stock premiums, or an increase of \$324,000,000. Of this increase, approximately \$120,000,000 was devoted to its railroad property and was expended for betterments and equipment. This leaves the sum of \$204,000,000, which was expended for operations outside of its railroad sphere. Through the expenditure of this sum this railroad system has practically monopolized the freight and passenger business in five of the States of the Union. It has acquired a monopoly of competing steamship lines and trolley systems in the section which it serves. The financial operations necessary for these acquisitions and the losses which they have entailed have been skillfully concealed by the jugglings of money and securities from one subsidiary corporation to another.

Marked features and significant incidents in the loose, extravagant, and improvident administration of the finances of the New Haven as shown in the investigation are the Boston & Maine despoliation; the iniquity of the Westchester acquisition; the double price paid for the Rhode Island trolleys; the recklessness in the purchase of Connecticut and Massachusetts trolleys at prices exorbitantly in excess of their market value; the unwarranted expenditure of large amounts in "educating public opinion"; the disposition, without knowledge of the directors, of hundreds of thousands of dollars for influencing public sentiment; the habitual payment of unitemized vouchers without any clear specification of details; the confusing interrelation of the principal company and its subsidiaries, and consequent complication of accounts; the practice of financial legerdemain in issuing large blocks of New Haven stock for notes of the New England Navigation Co., and manipulating these securities back and forth; fictitious sales of New Haven stock to friendly parties with the design of boosting the stock and unloading on the public at the higher "market price"; the unlawful diversion of corporate funds to political organizations; the scattering of retainers to attorneys of five States who rendered no itemized bills for services and who conducted no litigation to which the railroad was a party; extensive use of a paid lobby in matters as to which the directors claim to have no information; the attempt to control utterances of the press by subsidizing reporters; payment of money and the profligate issue of free passes to legislators and their friends; the investment of \$400,000 in securities of a New England newspaper; the regular employment of political bosses in Rhode Island and other States, not for the purpose of having them perform any service but to prevent them, as Mr. Mellon expressed it, from "becoming active on the other side"; the retention by John L. Billard of more than \$2,700,000 in a transaction in which he represented the New Haven and into which he invested not a dollar; the inability of Oakley Thorne to account for \$1,032,000 of the funds of the New Haven intrusted to him in carrying out the Westchester proposition; the story of Mr. Mellon as to the distribution of \$1,200,000 for corrupt purposes in bringing about amendments of the Westchester and Port Chester franchises; the domination of all the affairs of this railroad by Mr. Morgan and Mr. Mellon and the absolute subordination of other members of the board of directors to the will of these two; the unwarranted increase of the New Haven liabilities from \$93,000,000 in 1903 to \$417,000,000 in 1913; the increase in floating notes from nothing in 1903 to approximately \$40,000,000 in 1913; the indefensible standard of business ethics and the absence of financial acumen displayed by eminent financiers in directing the destinies of this railroad in its attempt to establish a monopoly of the transportation of New England. A combination of all these has resulted in the present deplorable situation in which the affairs of this railroad are involved.

The Westchester is a story of the profligate waste of corporate funds. The road was not necessary as a part of the New Haven system. It parallels other lines already owned by the New Haven and traverses territory which the New Haven already served; that it was recognized as unnecessary by the New Haven itself at its inception is evidenced by the fact that the New Haven sought an injunction to restrain the construction of this road on the specific ground that it was not in answer to any public necessity and paralleled its own existing line.

The sum of \$36,434,173.25 was expended for a road only 18.03 miles in extent, which is being operated at an annual loss of approximately \$1,250,000 and which will have to increase its earnings four and one-half fold before it can pay its operating expenses and fixed charges. It is inconceivable that this enterprise could have been entered into by the New Haven as result of the mandates of good judgment and proper railroad.

The Westchester acquisition was planned and executed by a special committee of the board consisting of Directors Morgan, Rockefeller, and Miller, with President Mellon as chairman. The vote appointing this committee "on proposed competition between the Connecticut State line and Harlem River, with power," does not disclose an intention to authorize the buying of charters and promotion securities and the building of a new railroad, much less one at a cost of \$36,000,000. It is ambiguous, and was evidently intended to conceal a secret purpose. The full board was not taken into the confidence of those directors who wanted these securities purchased, and no report was ever made by this committee placing the situation as they found it before the board.

The first information the board had concerning the extravagant acquisition of Westchester and Port Chester securities was on November 8, 1907, when this committee made its only report. It was then learned that \$11,155,000 had been expended in obtaining control of these two insolvent promotion schemes, and that this expenditure carried with it an obligation to construct two railroads, under the franchises of doubtful validity, paralleling the existing line of the New Haven.

ANOTHER RAILROAD SCANDAL.

Mr. President, in report No. 6833, in re Pere Marquette Railroad Co. and Cincinnati, Hamilton & Dayton Railway Co., we have another disgraceful history of the dishonesty, inefficiency, perfidy, and corruption of these predatory interests that now come begging and bulldozing to compel this august body to permit their avaricious hands to be dipped deep into the pockets of the people and take whatever is left of their paltry earnings. The report says:

It may be well at the outset to marshal the outstanding facts among the many disclosed of record, which have affected the ability of these two carriers to do their duty as common carriers and also the value of their securities in the hands of the investing public.

The Pere Marquette came into being as a consolidation of three relatively successful Michigan roads, and began operation on January 1, 1900. The consolidation was brought about by New England interests, headed by W. W. Crape and Nathaniel Thayer, and in the process outstanding capital stock in the hands of the public was inflated by \$1,461,250, and book value of property by \$4,290,230.41. The Crape-Thayer control continued for three years. Its operating policies were sound in the main; rolling stock and miles operated were increased; a small surplus was accumulated and used for improvements; no common-stock dividends were paid, and physical condition was bettered. Outstanding long-term debt was increased by almost \$6,000,000, and at the end of the three years was about \$31,000,000. In the next 12 years it was increased by more than \$50,000,000 under the succeeding management.

The first of these was the Prince management, which secured control on December 29, 1902, through the purchase of Pere Marquette common at a maximum of \$85 per share. Its policy of expansion included acquisition of new equipment costing over \$6,000,000, and of about 383 miles of main and branch lines, most of which had a history of failure. In acquiring this mileage, underlying bonds of over \$4,000,000 were assumed, and almost \$3,500,000 bonds issued. The Prince interests reversed the policy of their predecessors, * * * paid unearned dividends on common stock, and in the 18 months of their management added \$2,500,000 net to the current liabilities, also added over \$14,500,000 to outstanding long-term debt, promoted a Cincinnati, Hamilton & Dayton syndicate, and through it sold 110,000 shares of Pere Marquette common to the Cincinnati, Hamilton & Dayton at \$125 per share.

The management was that of the Cincinnati, Hamilton & Dayton syndicate, which took control of both carriers on July 7, 1904, and parted with it in the following month to the Zimmerman-Hollins interests. During these few weeks new and heavy burdens were bound upon the Pere Marquette.

The Zimmerman-Hollins management succeeded to the control in August, 1904, and continued the work begun by the Prince interests, with the result that when the control of both roads was sold to J. P. Morgan & Co., on October 20, 1905, both were promptly put under the first receivership, which began in December, 1905.

Meantime another \$10,000,000 of long-term Pere Marquette securities had been marketed through interested parties, at a cost to the road of over \$1,100,000 in discounts; \$1,645,000 was paid to certain members of Hollins's pool for their worthless stock in the Toledo Railway & Terminal Co., \$400,000 was advanced under syndicate scheme to affiliated companies and lost, and over \$1,100,000 was used to pay off floating debts contracted by the Prince regime. The mileage and equipment were somewhat increased. Operation was unsuccessful and resulted in deficits.

Two years of receivership were succeeded in December, 1907, by a Morgan reorganization based on the consolidation of the Pere Marquette with its already controlled Pere Marquette of Indiana, 20 miles long. This furnished the pretext for further stock inflation, for an issue of \$5,000,000 of 6 per cent debentures, and for the writing up as "costs of road and equipment" of the direct losses, aggregating almost \$5,000,000, of the former administrations. Morgan control has continued since, except for the second receivership, which began on April 5, 1912. In the intervening years the Pere Marquette was in constant difficulty; revenues failed to provide for expenses and charges, and bond interest was paid only at the cost of adequate maintenance of the property. Road and equipment deteriorated markedly, financing became more and more difficult, and needed funds were secured only at the expense of heavy discounts. The second receivership was necessary to accomplish what the first had failed to accomplish, the physical and financial rehabilitation of the Pere Marquette.

The road is now emerging from a second receivership. During five years of court control it has greatly improved in physical condition, and its service has improved accordingly. Under the reorganization plan a large part of the fixed interest-bearing obligations outstanding on June 30, 1916, are to be exchanged for capital stock, of which there is to be \$11,200,000 of 5 per cent prior preference, cumulative, \$12,439,000 of 5 per cent preferred, cumulative, and \$45,046,000 of common shares. The plan contemplates a decrease of over \$8,000,000 in capitalization, exclusive of overdue interest on funded debt, amounting to approximately \$10,000,000, and a considerable decrease of fixed interest charges. The new capitalization will also represent \$16,000,000 of new money provided for reorganization expenses, additions and betterments, working capital, and other purposes.

In contrast to the Pere Marquette, the Cincinnati, Hamilton & Dayton, prior to July 7, 1904, when the Cincinnati & Dayton syndicate took control, was a highly prosperous road, despite losses of several millions through Henry S. Ives and his associates in the late eighties, the drain of supporting less prosperous lines west of Hamilton, Ohio, a funding of deficits and interest on the western line into some \$1,800,000 of bonds, and the injection in 1895 of \$10,200,000 of water into the capital stock through the consolidation effected by the Shoemaker-Woodford interests, then in control. These interests sold out to the Cincinnati, Hamilton & Dayton syndicate in 1904, receiving \$125 per share for their common stock, which was water, and \$110 per share for 10,000 shares of preferred stock. The surplus of that date was replaced in the following year by deficits of at least \$1,086,127.49, allowance being made for some \$843,000 concealed by falsification of accounts.

MORE HIGH RAILROAD FINANCING.

Again, Mr. President, in another instructive and illuminating report to the Senate, No. 5933, in the matter of the receivership of the St. Louis & San Francisco Railroad Co. and the

Chicago & Eastern Illinois Railroad Co., the commission sets forth in forcible terms another disgraceful chapter in the private operation and management of our railroads. The commission says:

A receiver for the St. Louis & San Francisco Railroad Co., herein-after referred to as the Frisco, was applied for on May 27, 1913, in a petition signed by James Campbell, vice president and director of that company, and president of the North American Co., of New York. The basis of the petition was default on a six months' 6 per cent note issued to the North American Co. by the Frisco, due April 21, 1913, for \$625,000, upon which a payment of \$225,000 was made subsequently to its due date and prior to May 27, 1913.

While this indebtedness was the nominal cause of the receivership, the true cause was the inability of the Frisco to meet the payment of the principal of its two-year 5 per cent notes, dated June 1, 1911, due June 1, 1913, amounting to \$2,250,000, which had been sold to F. S. Mosely & Co., of Boston. These notes were secured by \$2,500,000 par value of the Frisco-Chicago & Eastern Illinois Railroad Co. common-stock trust certificates, and \$1,490,000 Frisco-Kansas City, Fort Scott & Memphis preferred-stock trust certificates, which were pledged as collateral security therefor with the Old Colony Trust Co., of Boston. The collateral underlying the note upon which the default occurred was deemed insufficient by the holders thereof, and on May 20, 1913, on the demand of Campbell that the Frisco deposit additional collateral, \$5,000,000 of the capital stock of the New Mexico & Arizona Land Co. and \$200,000 in Frisco, New Orleans, Texas & Mexico division bonds were placed under the notes as additional security. The stock of the New Mexico & Arizona Land Co. stood jointly in the names of W. F. Evans and F. H. Hamilton, respectively, counsel and treasurer of the Frisco. The lands consisted of more than 1,000,000 acres, located in the States named. The certificates were indorsed for transfer; the resignations of F. H. Hamilton and Alexander Douglas, the latter being vice president in charge of the accounting department, as directors were effected upon instructions from Vice President Hillard; and J. P. Newell and W. F. Reed, employees of James Campbell, were elected directors in their stead.

Had the Campbell note been the only obligation that the Frisco was compelled to meet, it doubtless would have liquidated the indebtedness, as the cash balance of the company on May 27, 1913, amounted to \$603,859.06. But, owing to the other maturing obligations which it was unable to meet, a receivership—the inevitable result of the Frisco's financial operations, and which at best could be deferred but for a short time—was applied for.

The inability of the Frisco to meet its obligations seems to have been apparent for some time prior to the application for a receivership. Strenuous efforts were made by its officers to obtain funds necessary to tide over its financial difficulties from day to day. Money was borrowed from all available sources, until it appeared that every avenue through which assistance might be secured had been exhausted. All marketable securities were either sold or pledged as collateral under the numerous loans. A statement prepared by the treasurer of the company, dated April 19, 1913, shows that the estimate of receipts and requirements of the company over May 1 would result in an apparent deficiency of \$749,880, and it appears that there were in the hands of that official on April 12 unpaid vouchers aggregating \$1,681,000. On May 27 the unpaid vouchers amounted to \$2,233,635.59.

Notwithstanding this apparent exhausted financial condition and inability to meet obligations without recourse to further borrowing, the Frisco sold to Speyer & Co., of New York, shortly before the receivers were appointed, \$3,000,000 of its general lien 5 per cent bonds, first series, at a price of 78. The dates of such sales were:

April 24, 1913	\$1,000,000
May 2, 1913	1,000,000
May 10, 1913	500,000
May 14, 1913	500,000
Total	3,000,000

The sale of securities to the investing public, through the bankers, at a time when every appearance indicated the insolvency of the issuing company invites and warrants condemnation of all those who assisted or participated in such sale. Speyer & Co. should have been aware of the poverty of the Frisco and of its difficulties in obtaining funds, as they advanced that company, on April 24, \$725,000 on its demand note and \$50,000 on its demand note dated April 29, and applied the proceeds of the sale of \$1,000,000 of these bonds, on May 2, to the liquidation of these notes.

While the Frisco was compelled to borrow funds from every available source, it continued its policy of advancing money to companies in Texas, as is evidenced by advances made to A. T. Perkins, trustee of the Brownsville Street & Interurban Railroad and San Benito & Rio Grande Valley Railway. The sums advanced to him during the fiscal year 1913 to the date of the receivership amount to \$924,460.11, while \$110,297.53 was also advanced to him for the construction of the Victoria & Heyser Austwell extensions on the lines of the St. Louis, Brownsville & Mexico Railway.

Under date of May 24, 1913, the Frisco paid to A. T. Perkins, as trustee of the New Iberia syndicate, \$500,000 in cash and executed its one-year 6 per cent note dated May 1, 1913, for \$1,493,088.83 and its 6 per cent demand note for \$950,000 as the purchase price of the New Iberia & Northern Railroad and the Iberia, St. Mary & Eastern Railroad in conformity with an agreement dated September 1, 1911. The Frisco had acquired in May, 1912, the syndicate interest of B. F. Yoakum in these properties by purchasing his subscription to the syndicate plus 7 per cent interest thereon, amounting to \$212,698.24. Mr. Yoakum was paid \$12,698.24 in cash and was given a note for \$200,000, dated May 6, 1912, which was paid in cash November 6, 1912.

The difficulties of the Frisco were of a financial and not of an operating character, as, despite the increase in the net operating income from \$2,332,158.52 for the year ended June 30, 1897, to \$11,677,437.33 for 11 months of the fiscal year 1913, the surplus of income available for dividends in 1897 was \$331,065.94, while on May 27, 1913, there was a deficit of \$1,069,915.60. Had it not been for the book charges covering the loss on the operation of South Texas Line for 11 months of the fiscal year 1913, amounting to \$1,219,293.21 and authorized discount of \$943,222.38, there would have been a surplus of \$1,092,599.99 or an increase in surplus for the 1913 period over the year 1897 of \$761,534.05. The operating income for the 11 months of 1913 was \$9,345,278.81 greater than that for the full year of 1897.

The absorption of the increased net operating income is accounted for by the charges of \$3,140,610.94 covering the cost of the lease of the Kansas City, Fort Scott & Memphis Railway, the Kansas City, Memphis & Birmingham Railroad, and the Kansas City, Memphis Rail-

way & Bridge Co.; and by the increase in interest on funded debt from \$1,994,488, for the year ended June 30, 1897, to \$10,684,788.55, as of June 30, 1913, an increase of \$8,690,300.55.

The gross earnings per mile of road operated increased from \$5.157 for the year ended June 30, 1897, to \$8.306 for the 11 months ended May 27, 1913, and the net earnings per mile increased during the same period from \$2.159 to \$2.733, an increase of \$574, while the funded debts, interest, per operated mile increased from \$1.716 for the year ended June 30, 1897, to \$2.253 for the year ended June 30, 1913, an increase of \$537.

Mr. President, where can there be found in American history a darker chapter of mismanagement, incompetency, and abuse of corporate power by individuals than is set forth in the preceding? Can we find in Government control a greater disregard for the interests of the people than what has been depicted in these official reports, which none can contradict? Where has Government control or operation made more or greater criminal blunders against common decency and the interests of the masses? As great as were the abuses during the war by some of the alleged patriots, can we duplicate them? I believe not. As the years go by history will give us a better understanding of how our people have been robbed by so-called railroad magnates, little better in their methods than bandits. By over-capitalization and watered stock they have placed a burden for all time upon all the people for the benefit of a privileged few. By means of the proposed ship subsidy bill and its far-reaching effects, do we want to repeat the scandals of American railroads and so help to further reduce our producers to the condition of serfs and a life worse than slavery? It may be accomplished, but it is not the will of the people; and in the end we shall, in my humble opinion, pay dearly for our experience.

THE BIG FIVE PACKERS.

Mr. President, I now turn from the railroad mismanagement and corruption to a still darker chapter of our national history, since it affects the welfare and prosperity of every individual in the United States, and at the same time has throttled our markets and helped to bring bankruptcy to thousands of our producers on American farms. They have likewise been one of the chief causes of the high cost of living in this country, as I will attempt to show in the following presentation:

On February 7, 1917, President Wilson directed the Federal Trade Commission "to investigate and report facts relating to production, ownership, manufacture, storage, and distribution of foodstuffs and the products or by-products arising from or in connection with their preparation and manufacture; to ascertain the facts bearing on alleged violations of the antitrust acts, and particularly upon the question whether there are manipulations, controls, trusts, combinations, conspiracies, or restraints of trade out of harmony with the law or the public interests," to the end that proper remedies, legislative or administrative, might be applied. On July 1, 1917, funds for carrying out the President's direction became available, and the commission proceeded with its inquiry. On July 3, 1918, just a year afterwards, the commission made its report, stating that they had found conclusive evidence of the existence of an intricate fabric of monopolies, controls, trusts, combinations, conspiracies, and restraints of trade. It appears from the evidence that the five big packers—Armour, Swift, Morris, Cudahy, and Wilson—have attained such a dominant position that they control at will the market in which they buy their products and the market in which they sell them, and hold the business life of their competitors at their mercy.

Not only do they control the meat business in a close monopoly, but almost innumerable by-products and related and nonrelated commodities are dominated by them. Their control of the meat industry includes not only control of all kinds of fresh and preserved meat but more than 100 products and by-products, ranging from hides to curled hair and from oleomargarine to cottonseed oil. The original business of the packers was the slaughter and distribution of live stock. Now they control the sale of eggs, butter, milk, cheese, fish, poultry, rice, sugar, potatoes, beans, and coffee. The first year of their control of the rice market Armour & Co. sold 16,000,000 pounds of rice and increased the wholesale price 65 per cent.

THE ARMOUR GRAIN CO.

The Armour Grain Co. in 1917 handled 75,000,000 bushels of grain at Chicago, 23 per cent of all the grain received. It operates 90 country elevators. Its 8 terminal elevators in Chicago and its 2 at Kansas City handle 25 per cent of all the grain received in these two cities. It is rapidly getting control of breakfast foods and stock and chicken feed. It manufactures Armour's Oats and has absorbed the Buffalo Cereal Co., with its various brands of cereal foods and animal feeds. It has also taken over the Maple Flake Co., of Battle Creek, Mich. In connection with its enormous chain of country elevators, the Armour Grain Co. merchandises fertilizers, feed, coal, fence posts, wire fencing, builders' hardware, binding twine,

lumber, millwork, including sashes, doors, blinds, boxes, barrels, cement, lime, plaster, brick, sand, gravel, and roofing. It is humiliating, it is a public disgrace, that fertilizer, which is to the soil what food is to the individual, should be practically monopolized by the big five packers while Henry Ford is asking the Congress to permit him to supply the cultivator of the soil with the best and cheapest of fertilizers. It is manifestly obvious that much of the opposition to the Henry Ford project at Muscle Shoals might be traced to the officers of the Big Five. They control more than two-thirds of the offal produced; they are the most important factors in the manufacture of animal fertilizer ingredients and are attempting to obtain control of our mineral ingredients.

SOMETHING ABOUT FERTILIZERS.

Is there a nation in the world making any pretense of being honestly and truly representative and professing to be progressive that would starve its soil by permitting its nutriment to be controlled by such predatory privileged interests? Can the human mind conceive of anything more mulishly stupid, not to say criminally negligent, than such a governmental policy? Consider for a moment what such a policy involves. It means that the cultivator of the soil must either pay monopolistic prices for the fertilization of his land or he must let it starve. This is the incredibly preposterous policy of the profound statesmen who have joined forces with the packers in frustrating Henry Ford's attempt to supply cheap and abundant fertilizer for our impoverished agricultural lands. It is indeed strange and inexplicable that these professed champions of human rights and ardent friends of the farmer should so strenuously oppose every effort to give him immediate and practical relief.

I take the liberty of again inviting attention to paragraph 15 of the Ford proposition, which reads:

Since the manufacture, sale, and distribution of commercial fertilizers to farmers and other users thereof constitutes one of the principal considerations of this offer, the company expressly agrees that, continuously throughout the lease period, except as it may be prevented by reconstruction of the plant itself, or by war, strikes, accidents, fires, or other causes beyond its control, it will manufacture nitrogen and other commercial fertilizers, mixed at nitrate plant No. 2, or its equivalent, or at such other plant or plants adjacent or near thereto as it may construct, using the most economical source of power available. The annual production of these fertilizers shall have a nitrogen content of at least 40,000 tons of fixed nitrogen, which is the present annual capacity of nitrate plant No. 2. If during the lease period said nitrate plant No. 2 is destroyed or damaged from any cause, the company agrees to restore such plant within a reasonable time to its former capacity, and further agrees:

(a) To determine by research whether by means of electric-furnace methods and industrial chemistry there may be produced on a commercial scale fertilizer compounds of higher grade and at lower prices than farmers and other users of commercial fertilizers have in the past been able to obtain, and to determine whether in a broad way the application of electricity and industrial chemistry may accomplish for the agricultural industry of the country what they have economically accomplished for other industries, and if so found and determined, to reasonably employ such improved methods.

The annual production of fertilizers in this country is approximately 6,543,435 tons. If Mr. Ford's offer is accepted, he guarantees to produce at the very outset at least one-fourth as much as the present output. But it should be remembered that this is the minimum and the project in its infancy. Under the terms of his offer fertilizers will be supplied to the working farmer at a greatly reduced price. It is impossible to determine at the present stage of development and under existing conditions just what reduction in the price of fertilizer Mr. Ford would be able to make, but it is conservatively estimated at about 40 per cent. But suppose he should only reduce the price \$5 a ton, as previously pointed out; that would mean a net saving to the farmers of \$35,000,000 in a single year. This a consummation devoutly to be wished. Why should we hesitate to give this much-needed relief to the most useful and most neglected class of producers in the country? Why should we continue to starve our soil when an abundance of nutriment is so near at hand? Why should we permit this much-desired nutriment to be controlled by the most avaricious, privileged interest in the civilized world? It is a base and treacherous betrayal of the trust confided to us by the people to permit this to continue a day longer than we can apply the proper remedy. There is no excuse for our negligence. We have the power and the means to put a stop to this indefensible and intolerable condition of affairs, and it is our sworn duty to do it.

SOME CHILDISH PRATTLE.

This talk about giving a public utility to a private corporation if we pass the Muscle Shoals act is childish prattle. It is not a public utility that we are granting to Mr. Ford, but the use of a natural resource that is now going to waste. The use of the water of the Tennessee River for the purpose of produc-

ing cheap and abundant fertilizers is no more the monopolization of a public utility than the use of a coal vein to produce cheap and abundant fuel. We might as well say that the utilization of the Mesabi Range by the Steel Trust is the monopolization of a public utility as to say that the utilization of the waters of the Tennessee River at Muscle Shoals is a monopoly of water power. Under present conditions it is the only possible way that this valuable natural resource may be utilized for the general welfare. Suppose the Government were to attempt to operate the Muscle Shoals plant; would it not be made a disastrous failure in order to discredit Government operation of public utilities? Would not some predatory favored interest do to Muscle Shoals what Lasker and his predecessors have succeeded in doing to American shipping and what McAdoo did to the Government operation of the railroads? Suppose that a quarter of a century ago the Potomac River at Great Falls had been utilized for the benefit of the people of Washington under the same guaranties as are embodied in the Ford proposition; who can estimate the money value, not to say the comfort, convenience, and health that would have ensued to the people of the District of Columbia? Is it not time that we should demonstrate our capacity for practical statesmanship? Let us meet the situation as it is. Let us make the best possible use of the tools and materials at hand. We are not faithful to the trust reposed in us if we fritter our time away on non-essential and utterly impracticable matters.

THE PACKERS COME BACK.

Referring again to the packers, they have a practical monopoly of hides, leather, and wool. They handle directly more than three-fourths of the hides and skins produced, and through their subsidiaries, leases, and contracts tan a large proportion of the leather produced in this country.

Their immense storage facilities and commanding financial position enable them to manipulate the markets and dispose of their products in utter disregard of supply or demand.

While the price of shoes and of leather goods is so exorbitant that poor children must go barefoot, it is said the packers are still hoarding enormous quantities of hides, with the view of further enhancing the prices. According to their own admission:

We are forced to pack them in our cellars and outside in the open, but have reached the point now where we have no place to go with any more.

These five predatory privileged corporations own 93 per cent of the total of all sorts of cars used in interstate commerce, consisting of refrigerator, stock, tank, box, flat, and gondolas. Our railroads, which are supposed to be our public highways, built upon land taken by the right of eminent domain and solemnly devoted by law to the service of all the people, have practically no equipment for the shipping of dressed meats and other perishable commodities. Our railroad managers have deliberately wrecked the people's highways and turned the greatest labor-saving invention known to mankind into an instrument of extortion, oppression, and corruption. All the icing stations on the lines of our railroads are owned by the packers, and they use them not only as a means of extortion from independent shippers, but as a means of securing information of the shipments and customers of their competitors. The cars of the Big Five receive preferential treatment by railroad officials. They are carefully handled, are accorded through routes, utterly regardless of the rights of other shippers, are promptly returned, and are never used by the roads for the shipment of any other commodities save those of the packers. The small, nonprivileged packers are subject to indefensible, vexatious, and expensive delays. Six months for a trip from St. Louis to New York and return is not at all unusual, and there are a number of instances where it took nine months. It is said the ordinary freight car travels only 23 miles in 24 hours, according to the Interstate Commerce Commission, while packers' are known to travel over 600 miles. Not only that, but the railroads treat the small independent packer as if he had no legal right that the railroad was obliged to respect, hence the railroads frequently use the small packers' meat cars to ship onions and other commodities.

In this connection it may be interesting to state that packers have organized various companies to sell to the railroads equipment and supplies, such as bumping posts, metal bearings, waste, ice, and coal, from which they derive enormous profits. The use to which the packers have transformed the refrigerator cars and cold-storage facilities is but another evidence of the fact that what is potent for good is potent for evil—its utility depending upon its use. In the hands of the packers refrigerators and cold storage, instead of being a blessing to mankind, are an unmixed curse.

MARKET CONSPIRACY.

Market control and excessive profiting in the handling of perishable products depend upon the ability to buy in the cheapest and sell in the dearest markets. Through a criminal conspiracy they fix the price they will pay the producer for his products, and by the use of their cold-storage plants they create an artificial scarcity and thus keep the supply below the demand.

The packers own over 1,000 branch houses, nearly 1,500 routes, and distribute their products in approximately 60,000 towns. This system of wholesale distribution through branch houses is the chief factor in their monopoly. With the development of their branch houses and car-route systems it is not longer necessary for the packers to go through the slow and costly process of establishing manufacturing plants.

The oldest and most strongly established houses are witnessing line after line of their merchandise absorbed by the packers' branch-house system. First, they saw the packers absorb butter, eggs, cheese, condensed milk, then various brands of "package goods," then sugar, coffee, rice, and other staple commodities. The combined sales of the packers each year approximate \$3,000,000,000. At the present rate of expansion the packers will soon control and monopolize the distribution of the Nation's food supply.

BIG PACKERS, BIG BANKS, AND INTERNATIONAL BANKERS.

Through interlocking directors the real source of power lies in the great international investment bankers. In each of the banks shown in the following list the packers are represented either directly or indirectly.

It is noteworthy to observe that behind the packers are the international investment bankers financially interested in all their nefarious undertakings. The following list of banks shows the extent of their interests, although there are a number of banks not included in this list. In each of the banks shown in this list the packers are represented on the board of directors, or through officers, directors, or confidential employees of the packing companies:

BANKS, BANKERS, AND PACKERS.

BOSTON.

Commercial National Bank (Wilson).
Broadway National Bank of Chelsea (Swift).
Harvard Trust Co. (Swift).

NEW YORK CITY.

William Salomon & Co. (Wilson).
National City Bank (Armour).
Chase National Bank (Wilson).
International Banking Corporation (Armour).
Irving National Bank (Swift, Armour).
Guaranty Trust Co. (Wilson).
Irving Trust Co. (Armour).
New York County National Bank (Swift).
Hallgarten & Co. (Wilson).

CHICAGO.

Continental Commercial National Bank (Armour, Cudahy).
Hibernian Banking Association (Armour).
Fort Dearborn Trust & Savings Bank (Swift).
Illinois Trust & Savings Bank (Swift).
First National Bank (Morris, Wilson).
First Trust & Savings Bank (Wilson).
People's Trust & Savings Bank (Armour).
National Bank of the Republic (Swift, Cudahy).
Continental & Commercial Trust & Savings Bank (Armour).
Drovers National Bank (Swift).
Liberty Trust & Savings Bank (Morris).
Woodlawn Trust & Savings Bank (Swift).
Westside Trust & Savings Bank (Morris).
Mid-City Trust & Savings Bank (Morris).
Union Trust Co. (Armour).
Stoney Island Trust & Savings Bank (Armour).
Kenwood Trust & Savings Bank (Swift).
Depositors State & Savings Bank (Wilson).
South Side State Bank (Armour, Swift).
Central Manufacturing District Bank (Armour).
Drovers Trust & Savings Bank (Swift).
People's Stockyards Bank (Morris, Armour).
Stockmen's Trust & Savings Bank (Armour, Wilson).
Livestock Exchange National Bank (Armour, Swift, Wilson).
Stockyards Savings Bank (Armour, Swift, Morris).

EAST ST. LOUIS, ILL.

National Stockyards National Bank (Morris, Swift, Wilson).

SOUTH ST. PAUL, MINN.

Stockyards Mortgage & Trust Co. (Swift).
Stockyards National Bank (Swift, Armour).

SIOUX CITY, IOWA.

Livestock National Bank (Swift).

OMAHA, NEBR.

Livestock National Bank (Swift, Morris).
Stockyards National Bank (Armour, Cudahy).
Omaha National Bank (Cudahy).

ST. JOSEPH, MO.

St. Joseph Stockyards Bank (Swift, Morris).
American National Bank (Swift).
Drovers and Merchants Bank (Swift).
First National Bank (Swift).
First Trust Co. (Swift).

KANSAS CITY, MO.

Drovers National Bank (Morris, Swift).
New England National Bank (Armour).
Interstate National Bank (Armour).

WICHITA, KANS.

Guaranty Title & Trust Co. (Cudahy).
Kansas National Bank (Cudahy).
Union Stockyards National Bank (Cudahy).

OKLAHOMA CITY, OKLA.

Oklahoma Stockyards National Bank (Morris, Wilson).

FORT WORTH, TEX.

Stockyards National Bank (Swift, Armour).

DENVER, COLO.

Denver Stockyards Bank (Swift, Armour, Morris).

PORTLAND, OREG.

Livestock State Bank (Swift, Armour).

SAN FRANCISCO, CALIF.

Anglo-California Trust Co. (Swift).
Bank of South San Francisco (Swift).

Mr. President, in the near future I propose to deal more fully with the main features of the ship subsidy bill itself and with some, to my mind, of the iniquitous features of the proposed bill, at least as these provisions impress me. At this time I prefer to make a few observations on the evils which have come before in previous legislation making possible the serious consideration of a bill so generally obnoxious to farmers and workers, a bill which I am not able to defend before my constituents and which, in my humble opinion, if enacted into a law as the bill now reads should and will discredit any party sponsoring the measure. On another day, when I shall have completed the presentation of my views and observations, I shall be glad to consider the further and fuller interpretation of other and abler exponents of this particular measure.

The very fact that there has been for the past year or more such an extensive and persistent propaganda nation-wide, that advertising experts have been employed apparently at Government expense to specially prepare and shape public sentiment adverse to a sound governmental policy, has forced not a few of our good people throughout the entire country to question the real motives which have prompted them and as to whether there has been an honest effort to bring national success for Government ownership and operation any more than there was a sincere effort to have governmental operation of the railroads succeed.

Some of these matters I shall discuss later much more fully than I have time for to-day. I repeat, many at this time are raising the question as to whether or not there has really been a sincere effort put forth to win success for the Government's operation of the merchant marine so necessary for the commercial development of our Nation and so vital and so essential to our national protection in time of enforced war, which we so devoutly hope may never come, but which under present world conditions may be forced upon this country at a no distant date.

Before we proceed to build up subsidized privileged monopolies, let us have a sincere, sympathetic, honest attempt to properly carry out the spirit and provisions of the Jones Merchant Marine Act of 1920. Let the President, if need be, dismiss for the good of the cause every employee of the Shipping Board and get rid of the Emergency Fleet Corporation, a corporation not now responsible to or under the control of Congress, and put only men in charge who are sympathetic to the building up of a great national merchant marine as called for under the provisions of the Jones Act and then without hindrance reemploy only those who can and will make good in an honest, sincere effort to serve the best interests of the Government and get private business out of government—for private business, when mixed with government business, lives and grafts at the expense of the Government—and then we shall see prosperity come to the shipping interests until the American flag will be found on every sea and in every port of the world. If we do this we shall have taken a long step forward in the interests of all the people instead of further intrenching privilege to profiteer from the labors of the masses.

The war brought us no greater curse than the privileged groups and the greed that is sucking the very lifeblood out of this Republic itself. Listen to the prophetic words of that noble statesman and martyr, Abraham Lincoln, who said:

I see in the near future a crisis approaching that unnerves me and causes me to tremble for the safety of my country. As a result of the war, corporations have been enthroned and an era of corruption in high places will follow, and the money power of the country will endeavor to prolong its reign by working upon the prejudices of the people until all wealth is aggregated in a few hands and the Republic is destroyed. I feel at this moment more anxiety for the safety of my country than ever before, even in the midst of the war. God grant that my suspicions may prove groundless.

Lincoln's prophecy is now largely history in so far as the course privilege would follow to their own selfish ends. Let

us rally to the protection of the interests of the people and as one forward step defeat any further attempt to entwine about ourselves the tentacles of this monstrous octopus to flourish on the sweat of the toiling masses, who year by year are being forced to a condition of life little better than that of serfs.

THE SHIP SUBSIDY BILL—WHAT IS IT?

CONSIDER CAREFULLY THE FACTS.

Mr. President, "Fools rush in where angels fear to tread" is an old saying that may be exemplified in my case to-day, but at least an analytical mind leads me often to search for buried truths and for fallacious reasoning that so often leads us astray. I hope I may be given credit for an honest attempt to enlighten myself and in the kindest spirit such criticisms as I may offer are not intended for the purpose of destroying or wounding, but rather that all phases of this great problem of vital national importance to further the reestablishment of our foreign commerce—yea, of our national development and policy itself—is represented in what is done with this proposed legislation.

It is the welfare of all the people and of the country rather than of any individual or group which should be considered at this time. Whether our policy shall be truly constructive or destructive in its effects in the years to come or our place as a truly maritime nation will be determined by what we may do with this bill. Shall we build for all the people or shall we do with this bill for privilege and with little thought for the great masses?

If my studies and research have led me into blind alleys it is far from my real purpose, for I am as anxious as any of my colleagues to see this Nation once more with its flag on every sea and in every harbor of the civilized world. To this end I would study carefully the rise and fall of American shipping in the earlier years of our country's phenomenal shipping industry. I am aware we should not live wholly in the past, but its history may teach us some useful lessons.

Mr. President, an analysis of the shipping bill itself, the report of the Committee on Commerce accompanying it, the arguments of Albert D. Lasker, the head of the Shipping Board, who is evidently more interested than anyone else in its passage, does not convince me that this measure will accomplish the marvelous things claimed for it by its sponsors. In my judgment it will not establish, nor on the part of certain interests is it intended to establish, an economical and efficient American merchant marine. It will not stop the wanton waste of \$50,000,000 annually, but it will probably quadruple it in the years to come. It will be of no advantage or benefit to the American farmer, merchant, or mechanic, nor is it apparently designed to be. As it comes before the Senate, to my mind it has one sole aim, one sovereign purpose, to enrich beyond the dreams of avarice a few predatory privileged beneficiaries, who have already distinguished themselves by wrecking our railroads, as I shall attempt to show later, physically and financially killing our canals and river transportation, and dominating and controlling our banking and currency system in subordination to their notorious scheme of gambling and speculating. I have before me a pamphlet entitled:

"What are we to do with our Government-owned ships? Do we need a merchant marine for peace and war?" Statement by Albert D. Lasker, chairman United States Shipping Board, at the joint hearing before the Senate Committee on Commerce and the House Committee on Merchant Marine and Fisheries on the proposed bill providing aids for American shipping.

When, where, and by whom this pamphlet was printed and gratuitously distributed, who bore the expenses, is not disclosed. These peculiar circumstances, while trivial in themselves, are sufficient to arouse suspicion and prompts us to inquire, Why all this prudent precaution, all this dark secrecy? Who is back of Mr. Lasker? I can but wonder. Is it the international investment bankers, who will be the ultimate beneficiaries of the economic octopus?

In this connection, Mr. President, I desire to call the attention of the Senate to section 6 of chapter 6 of the United States Statutes at Large, volume 41, part 1, Sixty-sixth Congress, which reads as follows:

Sec. 6. That hereafter no part of the money appropriated by this or any other act shall, in the absence of express authorization by Congress, be used directly or indirectly to pay for any personal service, advertisement, telegram, telephone, letter, printed or written matter, or other device intended or designed to influence in any manner a Member of Congress to favor or oppose, by vote or otherwise, any legislation or appropriation by Congress, whether before or after the introduction of any bill or resolution proposing such legislation or appropriation; but this shall not prevent officers and employees of the United States from communicating to Members of Congress on the request of any Member or to Congress, through the proper official channels, requests for legislation or appropriations which they deem necessary for the efficient conduct of the public business.

Any officer or employee of the United States who, after notice and hearing by the superior officer vested with the power of removing him,

is found to have violated or attempted to violate this section, shall be removed by such superior officer from office or employment. Any officer or employee of the United States who violates or attempts to violate this section shall also be guilty of a misdemeanor, and on conviction thereof shall be punished by a fine of not more than \$500 or by imprisonment for not more than one year, or both.

Mr. President, I suggest an investigation along this line. I believe that some officials and employees of the Shipping Board have violated this statute.

Mr. Lasker's pamphlet is a curiosity in economic literature. For contradictory and self-contradictory statements, for irreconcilable, inconsistent assertions, for unwarranted assumptions and discordant predictions it is without a parallel or precedent, according to my understanding and interpretation.

It commences with the ridiculous absurdity that "whether or no America is to be potent on the seas for the next several generations will be decided in the disposition of Congress of the legislation now proposed by the President for the aid and upbuilding of our merchant marine." As if it made a particle of difference to the useful classes whether or not America was potent on the seas through the instrumentality of a Government-fostered monopoly. And it is marked throughout the argumentative portions by passages which show the most ridiculous, illogical, and uneconomical thinking, as, for instance, that: "If John Smith, the individual, spends \$50 abroad and receives wares therefor, he is none the poorer, but if the national John Smith spends \$50,000,000 that he could retain at home, the Nation is a great portion of that \$50,000,000 poorer."

It would be difficult, perhaps impossible, to compress into a single passage more nonsense than the foregoing. How the national John Smith could be poorer by buying abroad \$50,000,000 worth of goods that he needed, while the individual John Smith would not be poorer if he bought \$50 worth of goods that he needed is beyond human comprehension. An individual buys abroad for the same reason that he buys at home, because he wants the things he buys more than he wants the money he gives in exchange. If money has any use except to buy things we want, some one ought to tell us what it is. This confusion of thought does not merely pop up here and there; it characterizes the whole pamphlet. In fact the main body of the pamphlet is taken up with what is in reality a refutation of the proposition which the pamphlet is supposed to strengthen and support. We are a luxury loving Nation, he declares, because we drink coffee several times a day!

WE HAD THE WORLD'S SHIPPING AND WHY?

The economic reasoning is only equaled by the lack of historical knowledge.

In our early days—

He says—

we were a seafaring Nation. Our clipper ships excelled the world.

Most assuredly. But our clipper ships were not fostered by Government subsidies. De Tocqueville, when he visited this country nearly a century ago, was struck with the fact that nine-tenths of the commerce between the United States and Europe and three-fourths of the commerce of the New World and Europe was carried in American ships; that these ships filled the docks of Havre and Liverpool, while but few English and French vessels were to be seen in New York. The only explanation that he could discover for this was upon the hypothesis that vessels of the United States can cross the seas at a cheaper rate than any other vessels in the world. And, he continues—

It is difficult to say for what reason the Americans can trade at a lower rate than other nations; and one is at first led to attribute the circumstance to the physical or natural advantages which are within their reach; but this supposition is erroneous. The American vessels cost almost as much to build as our own. They are not better built, and they generally last for a shorter time. The pay of the American sailor is more considerable than the pay on board European ships, which is proved by the great number of Europeans who are to be met with in the merchant vessels of the United States. But I am of opinion that the true cause of their superiority must not be sought for in physical advantages, but that it is wholly attributable to their moral and intellectual qualities. . . . The European sailor navigates with prudence; he only sets sail when the weather is favorable; if an unforeseen accident befalls him, he puts into port; at night he furls a portion of his canvas, and when the whitening billows intimate the vicinity of land he checks his way and takes an observation of the sun. But the American neglects these precautions and braves these dangers. He weighs anchor in the midst of tempestuous gales; by night and by day he spreads his sheets to the wind; he repairs as he goes along such damage as his vessel may have sustained from the storm; and when he at last approaches the term of his voyage he darts onward to the shore as if he already desecrated a port. The Americans are often shipwrecked, but no trader crosses the seas so rapidly. And as they perform the same distance in a shorter time, they can perform it at a cheaper rate.

What this philosophical historian describes so graphically and which he attributes to the moral and intellectual qualities of American seamen was an advantage that attached not merely to the sailing of ships but likewise to their designing, their

building, and, in fact, to everything connected with them. This advantage resulted from the higher standard of wages, to which the proponents of ship subsidies are unalterably opposed, and the resulting higher standards of comfort which afforded the means and opportunity for the development of their moral and intellectual faculties.

Now, the question naturally obtrudes itself that, while nearly a hundred years ago we excelled the world in the shipping business without any aid or subsidies or subventions from the Government, to-day after unprecedented industrial progress we can not make any effort unless we permit a greedy horde of parasites who never sailed a ship and who apparently could not tell a mizzen mast from a smokestack, to help themselves at the public expense? I would like to have the proponents of this scheme to cite an instance in the annals of representative governments to match this.

THE DAYS OF AMERICAN SHIPPING.

In the glorious days of American shipping, when Donald McKay, of Boston, and William H. Webb, of New York, secured the materials for their ocean greyhounds from forests that were practically as far distant as they were from the Clyde, the Humber, or the Thames, they never dreamed of begging and bullying, and trying to get Congress to grant them Government subsidies.

Prior to the World War—

Declares the distinguished advertising agent—

America was content to have its cargoes carried in foreign bottoms. We were then a debtor Nation, and we could feel sure that those whom we owed, being the great maritime nations of the world, would furnish us the bottoms with which to carry the goods to liquidate our debts.

It is difficult to read such statements with complacency. It is too absurd for discussion. Just think of it! A debtor nation may feel sure that her goods will be carried safely by her creditors, but when the debtor nation becomes so foolish as to become a creditor nation, by giving thus the earnings of her people to her debtors to wage what Mr. Bryan designates as a causeless war, then the tables are turned and the nations she befriended will no longer carry her goods. According to this process of reasoning, instead of a creditor nation being placed in an advantageous position it is infinitely worse off. Is not that the limit of unreason? And this is the genius that assumes to tell the Congress of the United States as to their legislative duties.

With the keen penetration and broad vision that can only reach the pitch of perfection in the counting rooms of Lord & Thomas, Mr. Lasker illuminates a perplexing problem in statesmanship. Reflect on this profound exposition of the legislative intent of what he styles the very beneficent merchant marine act of 1920, known as the Jones Act:

The purpose of this legislation—

He says—

was to provide for the temporary operation by the Government of such ships as were necessary to maintain and develop trade routes not covered by private enterprise and to enable the Government to dispose of its war-built tonnage to private owners.

Hence it appears that according to this advertising agent's method of reasoning an act is beneficial that provides for the operation of Government ships to maintain and develop trade routes unprofitable to private owners for the sole and sovereign purpose of selling the ships to private owners after the routes have been established. But in the very next sentence he tells us that in this very beneficial act—

wisely constructed with statesmanlike vision, has not achieved what was expected of it, because immediately after its passage world trading collapsed and has remained in a depressed state ever since.

HOW AND WHY IT FAILED.

Why an act "wisely constructed with statesmanlike vision" ignominiously failed to achieve the results expected is very significant. Whether the passage of the act caused the collapse of world trading and subsequent depression or the collapse of world trade caused the failure of the act this legislative adviser does not explain. The keystone of the arch of this beneficent legislative structure, he explains, was "preferential tariffs to inure to goods imported in American bottoms." It may be possible that if the contemplated advantages of the act had inured to the owners of the bottoms instead of to the goods imported in them the act might not have been such a colossal failure. Nevertheless, the head of the Shipping Board believes that the failure of the act is chiefly due to President Harding's declaration to abrogate commercial treaties solemnly entered into with other nations.

Now, to even "a wayfaring man" it is manifestly obvious that an act, no matter how beneficent its purpose may be, could not have been constructed with statesmanlike vision which flagrantly violated treaties declared by the Constitution to be the

law of the land. Surely the President should not be held responsible for the failure of an act, the success of which depended upon the violation of his oath to support the Constitution. If Mr. Lasker were as keen an observer of public affairs as he assumes to be, he would have easily discovered the primary cause of the collapse of the world trade in the economic stupidity of the allied and associated powers to trade with Russia and the Central Powers.

It seems to me that more responsibility rests on a national policy carried out by our Secretary of State in adopting a policy prohibiting in practice the American people from exchanging the surplus products of their labor for the surplus products of the labor of the people of Russia and central Europe.

WHO SET THE EXAMPLE?

The Russian people followed the example of our illustrious forefathers, and instituted a Government which to them seemed most likely to secure their safety, peace, prosperity, and happiness. Our Secretary of State declared the industrial Republic of Russia an "economic vacuum." If it were a vacuum, the embargo was purely an act of supererogation. It must be remembered in passing that this policy did not prevent the Russian people from trading; it merely prevented the American people from trading with the Russian people. It is obvious to the most obtuse that if Americans did not want to exchange their surplus products for the surplus products of Russia there could be no trade; and the interference of the administration it would seem was a perversion of their delegated authority, and a disregard of the economic rights of those whom they seek to serve.

A moment's reflection will show that no effort, no matter how pressing, could enable the Russian people to sell their surplus goods to Americans if Americans were not desirous of exchanging their own surplus goods for them. It takes two to make a bargain; to every trade there must be two agreeing minds, two consenting parties, who mutually desire to trade and whose interests are reciprocal. No one can buy unless there is some one willing to sell. Conversely, no one can sell unless there be some one willing to buy. Unless the people of the United States, for example, wanted to sell their surplus goods to the people of Russia, there could be no sale. Hence it is obvious that the policy of the administration was a direct and positive injury to the American people in every line of business activity. So far as doing business with Russia and other European countries is concerned, the contention of predatory privilege that "Nations build navies to insure that their merchant ships may carry their wares to all portions of the world unmolested," is debilitated nonsense, mere pretense. International trade is not warfare unless premeditated; it is the great promoter of international peace and universal prosperity.

WHAT RUSSIA WANTED.

When the vast resources of Russia are considered and her dire need for all kinds of manufactured goods, which could be amply supplied by our millions of unemployed artisans, it seems little short of criminal conspiracy that prevented the conjunction of these desires and their mutual gratification. The Russians are in need of engines, cars, rails, and all sorts of railway equipment. They are also in dire need of farming implements, mechanics' tools, motor trucks, tractors, and all kinds of leather goods. At the lowest estimate they would have purchased 50 millions of foodstuffs and 30 millions of textile goods.

While our mills and factories were closing down for want of orders, throwing out of employment millions of persons able and willing to work, whose earnings would have been exchanged for the produce of the farmer, the administration shut the door in the face of a customer whose effective demand for the products of our farms, mines, mills, and factories would have set to work every unemployed person in the country. Trade with Russia and central Europe would have imbued our industries with fresh energy and given an impetus to trade that would have inspired confidence and courage in every line of human activity. Instead of helping to make the Government operation of Government-owned ships a success they did everything possible, it seems, to make it an ignominious failure.

GOVERNMENT OPERATIVES.

But, in spite of this unwarranted prohibition of international trade by our own accredited representatives, it appears from Mr. Lasker's own statements that Government operation of Government ships is a tremendous success and that the private operation of private ships is an absolute failure. In the first place, we are told that—

The purpose of Government operation as defined by law was to build up trade routes in order that the Government ships might thus be sold with established good will to private owners.

In other words, the purpose of Government operation was not primarily to establish an efficient water transportation service but to establish profitable trade routes, and then, after

demonstrating the efficiency of Government operation, to sell out to private owners. But it seems that the scheme did not produce the desired result, for, as Mr. Lasker informs us—

The very method chosen has worked to defeat its own purpose, for in the upbuilding of those routes the Government has operated ships, and in the operation of ships has driven its potential customers largely off the seas.

Now, here we have a broad, unqualified admission that Government operation has been so superior to private operation that it has driven the private operator off the seas—put him out of business. It is natural to suppose that after it was amply demonstrated that Government operation was vastly superior to private operation the Shipping Board would favor the operation that had proved a success rather than the one that had proved a failure; that these public officials would have some national pride, some love of country, and that they would strive to make Government operation more and more efficient. No. Instead they seem destitute of national pride or love of country, as judged by the cold facts which they themselves present. Mr. Lasker, speaking for the board, says:

Thus we come to conclusions from which there is no escape—that since continued Government operation means finally the possible and likely elimination of private operation of American ships, a method must be devised whereby the Government shall end its operation and at the same time insure carriage of American goods under the American flag through private ownership, as contemplated by the Jones Act.

Consider for a moment the shameless perfidy, the base treachery, the atrocious betrayal of a public trust, involved in such an indefensible proposition. It means that although Government operation is now and has been since its commencement a marked success, therefore and for that sole reason the conclusion is irresistible that it must be abandoned. Private operation is a failure; therefore it must be maintained at a cost of millions to the taxpayers of the country and exorbitant increase of freight charges to shippers.

DISCREDITING GOVERNMENT OWNERSHIP.

It would seem that Government operation having proved a success in spite of Mr. Lasker and his Shipping Board, a method must be devised whereby it shall be put out of the shipping business. The method devised is so simple and so easy of application that one marvels at its simplicity. It means that Government-owned ships shall be sold to private interests who have no capital at present to buy them, but in the event of the Government granting the subsidy the Federal reserve banks will furnish them the purchase price. The Committee on Commerce, in its report on the bill, makes this very plain and unmistakable, as it states:

One main object of the bill is to bring about the purchase by private parties of the ships owned by the Government. This will require capital, which must be secured from banks and those who are willing to invest in shipping securities. This can not be borrowed by proposed purchasers and operators of the ships if there be the least uncertainty of the payment of the compensation provided in the bill.

We are again reminded that the main object of the bill is to sell our ships to private parties. If this were the main object of the bill, why encumber it with other extraneous matters? The reason for this, according to the reasoning of the committee, is that the proposed purchasers have neither the necessary capital nor the credit to secure it. But if the Government guarantees the annual payment of from thirty millions to seventy-five or perhaps one hundred millions, the banks will lend them the money, but not otherwise. If there be the least uncertainty, the banks will not accommodate them. This exposes the scheme in its predatory purposes and objects. The Government must furnish a guaranty bond acceptable to the banks, and then they will furnish the money to the proposed purchasers and operators to buy the ships.

Compare this proposal with the simple request to aid the basic industry of agriculture. Under this prearranged scheme, it is manifestly evident that the Federal reserve bankers have already picked the proposed buyers and operators. We have heard a great deal about the Government keeping out of business and business keeping out of Government, but this proposed scheme inextricably involves the Government in private business and private business in Government, and to which there is no possible termination.

But while this connection of private business with the Government is a violation of the pledges made to the people, it is discreditable to the sponsors of the bill that there is no provision to conserve and protect the interests of the people, but everything is done to secure the privileges of the private shipowners and operators. The following extract from Mr. Lasker's statement conclusively proves this contention:

Of the six millions of freighters the Government possesses, it is the hope of the Shipping Board that ultimately a great measure of the three million good tons will find itself in the hands of American owners should the legislation here proposed be adopted. It is doubtful if, under the happiest conditions, the American flag will need the three

million good tons in its entirety, and ways and means must be found to dispose of such good tonnage as remains, so that American interests will not be hurt. Under no circumstances must the surplus tonnage that America can not absorb be disposed of so as to bankrupt those who buy from the Government at current prices.

WHOM ARE WE HELPING?

The duplicity and evident intention to mislead is apparent by the substitution of such terms as "American owners" and the "American flag," for they really mean predatory privileged beneficiaries of this indefensible measure. Observe how this statement flatly contradicts the statement in the report of the committee on the bill itself. The report, as previously quoted, states that the main object of the bill is "to bring about the purchase by private parties of the ships owned by the Government." Mr. Lasker says that under no circumstances must the ships that remain after the parties picked by the Federal reserve banks have helped themselves to the choice of the best ships be disposed of so as to come in competition with the beneficiaries of this bill and endanger their monopoly of ocean transportation.

Not alone that, but, as Mr. Lasker puts it, the American flag will not need the 3,000,000 of good tonnage in its entirety, even under the happiest conditions. Therefore, to safeguard the predatory interests of these law-created monopolists, as to the millions of tonnage remaining in the possession of the Government, it is proposed that the hulls must be sold at low figures for conversion to types of freighters that we do not possess. As to why and to whom the Government must sell them at low figures, and the type of freighters to which they are to be converted, no explanation is offered. If 3,000,000 of good tonnage is more than is needed, and there is a surplus tonnage of several millions, why the necessity of creating new types of freightage?

Continuing, Mr. Lasker says:

For if we permit a potential surplus to remain, with the possibility of its use in abnormally prosperous times when any tonnage can be profitably operated, the burden of loss will fall on the good tonnage in times of adversity without full enjoyment of profit in times of prosperity, and thus we depress the price of all our tonnage, and so it will come to pass that we shall liquidate the whole for less than we could liquidate the good part.

A MONOPOLY ESTABLISHED.

Competition, which is virtually the life of honest and efficient trade, must be entirely eliminated and an absolute monopoly established. If a potential surplus remained in possession of the Government, there might lurk a possibility of competition in abnormally prosperous times which might interfere with the excessive rates that this gigantic monopoly will naturally impose upon ocean transportation. Therefore, the Shipping Board recognizes the necessity "to force the uneconomical 3,000,000 of freighters' disappearance from the market." It will be observed that every precaution is taken by the beneficiaries of the bill to establish an extortionate and oppressive monopoly which the people will be taxed to maintain. Is it possible for the human mind to conceive of anything as infamous as the iniquities embodied in this atrocious measure?

The Shipping Board is operating 421 steel ships out of a total of 1,442, leaving 1,021 tied up at an enormous expense to the Government. Mr. Lasker, on page 4 of his prepared statement, says that notwithstanding this serious handicap the Government-operated ships have driven their private competitors off the seas. On page 12, in a lame attempt to discredit Government operation, he says that the Government ships are operated at an annual loss of \$50,000,000. He immediately contradicts this statement by admitting that this sum includes the cost of maintaining 1,021 ships lying idle in our ports and the cost of repairs necessary to prevent entire deterioration.

THE SHIPS MAKE A GOOD SHOWING.

For the year 1921 Government-owned ships carried 51 per cent of our total foreign trade. This is certainly a satisfactory showing. Consider this refutation by Mr. Lasker of all that he has said in favor of private operation:

The vast sums we saved ourselves in freight rates alone, which through faulty Government bookkeeping was converted to construction charges, would have showed during that period that handsome freight returns inured to the Public Treasury. Private operation at that time would have been impossible.

It is surprising that an annual loss of \$50,000,000 is charged against Government operation, when it is publicly admitted that through governmental bookkeeping their earnings were converted to other purposes and entered as a loss and not a profit. If private operation is impossible immediately after a war, at what rate per annum does it become possible? If private operation was impossible in 1918, what has occurred to make it possible in 1923? If Government operation from that time to this has been the greatest insurance we have to our future overseas prosperity, which involves our entire national prosperity,

why should we abandon it in favor of a system of operation that has failed and that can be maintained only at a prodigious cost to the American taxpayers through an indeterminable subsidy, and a still higher cost to the American consumer through monopolistic freight rates?

After stating several times with more or less emphasis that Government operation has driven competitors from the seas, the Shipping Board again flatly contradict themselves by the statement that "free competition with the privately owned shipping of the world through successful Government operation is an impossibility."

How, then, has Government operation succeeded in driving its competitors off the seas, notwithstanding the fact that the Government has been paying the highest salaries to the most inefficient aggregation of incompetent misnamed experts that I have any knowledge of, and at the same time maintaining 1,021 idle ships?

Fifty million dollars annually it is costing to keep the Shipping Board boats going—

Declares Mr. Lasker—

Fifty million dollars, not including, however, interest, full insurance, or depreciation on invested capital. For any private business to say that it was losing \$50,000,000, without considering interest on capital investment, full insurance, or depreciation, would mean that the managers of that private business were attempting to deceive their stockholders.

IS IT BAD FAITH?

This, Mr. President, would appear to be a misstatement of the situation, made for the purpose of misinforming American people—the stockholders of the Shipping Board—and to mislead their accredited representatives, the Congress of the United States. Let me present a strictly parallel case and one the farmers can understand. Suppose a man owns 1,442 horses, 421 of which are working, earning for him handsome profits; but the other 1,021 horses are standing idle in the stable, earning nothing, but consuming not only the profits that the working horses are earning, but costing an additional \$500 each year for their maintenance. Naturally the man would realize immediately that the sensible and reasonable thing to do would be to sell his idle horses. He calls his managers, foremen, and superintendents before him and advises them to sell the 1,021 idle horses at public auction to the highest and best bidders. His trusted, well-paid employees strenuously protest against such an arrangement.

They earnestly contend that the proper thing to do and, in fact, the only thing to do is to sell the working horses to Smith, Brown, and Robinson. "But," says the owner of the horses, "Smith, Brown, and Robinson have neither money nor credit; then how is it possible for them to buy them?" "That is all very true," the trusted employees admit, "but we have made arrangements by which they can get the money. You must deposit with the Federal reserve bank a guaranty bond or sufficient collateral, and the bank will lend Smith, Brown, and Robinson the money to buy your horses. You must also put up additional collateral to insure a handsome profit to Smith, Brown, and Robinson, whether the horses earn anything or not. This will cost you a huge sum each year, but you will be compensated for your magnanimity, as Smith, Brown, and Robinson solemnly promise to fly the American flag from the top of their stable. Of course, it will not be the real national emblem, as it will not represent liberty, virtue, and independence, but slavery, graft, and extortion." "And what," asks the owner, "shall be done with the 1,021 idle horses that are still in my possession? Must I sell them also?" "Oh, Heavens, no! If you were to sell them, they would naturally and necessarily compete with the horses you have sold to Smith, Brown, and Robinson, and this would reduce their profits, and then you would have to pay them a bigger subsidy." Therefore the wise, patriotic thing to do is to shoot the idle horses. "So," thinks the owner, "according to this brilliant arrangement, I must sell the horses that are earning me satisfactory profits and then furnish the Federal reserve bank with enough good collateral to secure them against any loss, or even risk, in order to furnish money to men who have neither capital nor credit to buy my profit-earning horses. Not only that, but I must put up money every year to insure these men against anticipated losses in a business which I operated myself at a handsome profit, and then must shoot the balance of my horses, lest their competition might reduce the prodigious profits of Smith, Brown, and Robinson." This, it seems to me, is precisely what the Shipping Board is proposing that the people of the United States do through their public organ, the Federal Government.

Mr. President, there is nothing in recorded history, nothing in the annals of civil government, so infamous as the propositions embodied in this indefensible measure. In my place here in this imposing and dignified assemblage, the repository of the

direct authority of the American people, I declare that in my humble opinion never before has there been a measure considered here that can even approach the measure before us for disregard of the rights and interests of the people.

Mr. President, a further consideration of the details of this bill indicates that it is of a dual character, one portion of it being a proposed subsidy bill, and the other portion being an amendment to the income tax laws. Under the proposed changes to the income tax laws, special privileges are granted to ship owners, the nature of which, it would seem, are not understood by the proponents of the bill. These changes are so technical that it is doubtful whether they received the careful consideration they deserve of the Merchant Marine and Fisheries Committee of the House, or of the Senate Commerce Committee. An examination of the reports made in support of this bill by the Committee of the House and of the Senate fails to give adequate information concerning the operation of the proposed changes of our internal revenue law, and yet we are asked to blindly vote for such radical class legislation.

Taking up the subsidy portions of the bill for detailed consideration, we find, Mr. President, that the proponents of this measure assert that they are designed to build up an American merchant marine in the interest of American shipping. They have sought to induce the people to believe that any American citizen or corporation can receive assistance in the shape of a subsidy when carrying the products of American farm or factory to markets, and that the producers will not be dependent upon foreign shipping for the marketing of their products. Upon these premises is sought the indorsement of American farmers and laborers for the measure. As a matter of fact, the bill proposes no such thing. What the bill says is:

The board shall not be required to enter into such contracts unless in the judgment of the board such person possesses such ability, experience, resources, and character as, in the opinion of the board, to justify a belief that the payment of the compensation will be reasonably calculated to carry out such policies and otherwise promote the general welfare of the United States. (Page 24, lines 7 to 14.)

This, in effect, is giving into the hands of a board appointed under political influences the power to enter into subsidy contracts to certain individuals or corporations, and refuse it to those who fail to measure up to their arbitrary standards. The board itself is to be the sole judge of what shall constitute ability, experience, resources, and character. There is nothing in the proposed bill which says that ability or experience shall be determined upon experience in seamanship or experience in ship operating, or, indeed, on knowledge of shipping matters whatsoever. It seems to me the great danger under these provisions is that the board can create a gigantic shipping trust owned by personal friends and subsidized out of the Treasury of the United States. I am unwilling to lend myself to any such proposition as will give limitless powers to a group of men who, in their appointments and administration, will be subjected to the influences of the political, predatory, and financial power which we have felt too much in this country. It is not necessary to be personal or cynical about these matters. There is no necessity for bartering words about the character of appointees who may be placed in positions of power. Our past experiences fully justify us in questioning the wisdom of such a policy or taking chances.

I earnestly hope that the time may come in this country when our people will be saved from the domination of perfectly respectable presidential appointees recommended with little regard save to pay political obligations. Mr. President, during the early discussion of this bill it was almost a daily occurrence for some eulogy of the present Shipping Board to be spread upon the pages of the CONGRESSIONAL RECORD. The Senate is necessarily placed in the position of agreeing that they are all respectable appointees; notwithstanding that fact, there has doubtless never been an agency of the Government in such disrepute as the Shipping Board and its predecessors.

IS THE SHIPPING BOARD COMPETENT?

There have been frequent accounts of mismanagement and actual suggestions of corruption; and yet, Mr. President, all through the subsidy provisions of this bill we find that the granting of a subsidy to American shipowners depends, not upon the right granted in the bill to such American shipowners, but upon the judgment or favor of the board, who can parcel out these financial subsidies which are to be paid by all the people of the United States. Other provisions in this bill are likewise misleading, particularly one familiarly known as the Madden amendment. The Senate committee in its report referred to it as follows:

6. Permanent appropriations: The objected-to requirement has been changed in the bill as it finally passed the House, and the Shipping Board will have to appear before Congress and obtain appropriations. While it is questionable whether this will not in a large measure defeat the purpose of the bill, this change nullifies the minority's objections.

So far as the payment of direct subsidies under the provisions of this bill are concerned, the report of the committee is accurate, and the provision found on pages 38 and 39 of the bill would seem to limit the payment of such subsidies from the merchant marine fund to appropriations made annually by Congress. This provision is as follows:

Provided, That no expenditures shall be made from the merchant marine fund because of any increased compensation granted under the terms of paragraph (c) of section 410 except out of the appropriations made annually therefrom by Congress.

But, Mr. President, this provision does not cover by far the greatest expenditures of money under this bill. Under the income-tax provisions relating to depreciation of vessels the door has been opened for the refunding of vast amounts of income taxes. The payments of these refunds is especially provided for on page 25, lines 15 to 19, inclusive, which says:

All moneys in the fund are hereby permanently appropriated for the purpose of making such payments and the refunds authorized by subdivision (j) of section 416, subject, however, to the proviso of paragraph (c) in section 410.

Mr. President, the proviso in section 410 has reference only to the payment of direct subsidy for increased compensation, for which an annual appropriation by Congress is required; but the secret refunds of taxes to large corporations are permanently appropriated for out of the Treasury, and the amount of such appropriation is indefinite, and may reach hundreds of millions of dollars.

The provisions of law which require the Commissioner of Internal Revenue to report to Congress the disbursements of money for refunds of taxes do not apply to this permanent appropriation; and, as a result, Congress will never know how much money will be required and to whom such refunds will be paid. More than that, as all matters relating to income tax are supposed to be secret under the provisions of the internal revenue law, Senators and Congressmen will not be able to obtain any information on this subject, and this in spite of the fact that the Constitution (sec. 9, Art. I) directs that "a regular statement and amount of the receipts and expenditures of all public moneys shall be published." The result will be that no one will know whether the total amount of such funds will be millions of dollars or hundreds of millions of dollars annually. Why shipowners should not be required to come to Congress for appropriations to get their refunds, the same as every other claimant for refunds, is beyond comprehension. Why should special favors be shown them? On the other hand, a farmer who may have a few dollars due him for an erroneous overpayment of income taxes has to come to Congress for an appropriation. Why this favoritism?

ANOTHER BAD FEATURE.

Mr. President, there is another permanent appropriation in this bill which is not affected by the provisions of section 410. I refer to section 501, on page 47 of the bill, which gives the power to scrap the Government transports and for the making of contracts for the carrying of Government supplies and troops in privately owned vessels. Under this section a permanent and indefinite appropriation is made to make all payments upon contract entered into under its provisions. Here, again, is kept from Congress, the representatives of the people, a knowledge of how much of the people's money is being spent for the benefit of a favored few shipowners. Mr. President, I wonder if the members or the supporters of this bill on House and Senate committees realized to what extent they are opening the doors of the Treasury to an unrestricted, unsupervised expenditure of money.

THE REVENUE LAW AMENDED.

Let us, Mr. President, come to that portion of the bill which deals with the administration of the revenue law, found on pages 19 and 20. The bill proposes an amendment to the income tax law regarding the depreciation of vessels, which is an innovation in Federal tax matters. Under this section values upon which internal taxes are levied are not determined by the Internal Revenue Bureau but are to be determined by the Shipping Board, which board has been given a free hand to exercise a degree of favoritism not in the interest of sound business. In paragraph (a) the proposed section says:

That the reasonable allowance for exhaustion, wear and tear, and obsolescence, provided in paragraph (8) of subdivision (a) of section 214 and in paragraph (7) of subdivision (a) of section 234, shall be determined, and allocated to the years in which sustained, under rules and regulations prescribed by the United States Shipping Board.

Again, in paragraph (b) the Shipping Board is given the power to determine what the exceptional decrease in value of vessels has been, which decrease in value is to be deducted from any amount paid or to be paid in income tax. This presents great possibilities, but why worry? Privilege gets it.

Mr. President, we are treated to the spectacle of the Commissioner of Internal Revenue being bound by the findings

of the Shipping Board, no matter what the actual facts in the case may be. The actual depreciation may only be 4 per cent, and yet if the Shipping Board certifies to the Commissioner of Internal Revenue that in their opinion a 10 per cent depreciation should be allowed the Commissioner of Internal Revenue is bound to order a refund of taxes based upon such a depreciation.

WHAT MAY WE EXPECT.

Judging from the past course of the Shipping Board, no one can estimate what the depreciation of these vessels will amount to. An examination of the hearings before the Committee on Appropriations in the House of Representatives in May, 1921, shows that the Shipping Board was allowing a 10 per cent depreciation per voyage on new vessels. I understand that the rate of depreciation to-day allowed by the Shipping Board is between 4½ and 5 per cent annually, which is more nearly that of the depreciation which commercial companies estimate upon their own vessels. We have no assurance that the present rate of depreciation adopted by the Shipping Board will be continued. The board may find in some cases the depreciation to be as high as 15 per cent per voyage or as low as 1 per cent; and where can the appeal be made should there be a charge of favoritism or even an error in judgment? Who is the judge?

The Shipping Board is the sole arbiter. From its decisions there is no appeal. Its findings are irrevocable. It may allow one shipper compensation for depreciation far beyond the demands of justice and refuse to allow to his competitor what he is justly entitled to. But he has no redress.

Mr. President, why should the Shipping Board determine these questions of depreciation and decrease in value for the Treasury Department and the Commissioner of Internal Revenue? If this principle of allowing a bureau of the Government having charge of a certain subject matter is to be followed here to estimate depreciation in values for the purposes of taxation, why not apply it to all the bureaus of the Government instead of to the Shipping Board alone?

GIVE THE FARMERS A SHOW.

Why not allow the Secretary of Agriculture to promulgate rules and regulations estimating the unusual and exceptional decrease in value of farms, live stock, and farm products and so certify to the Commissioner of Internal Revenue, and direct him to pay refunds of taxes in unlimited amounts to the suffering farmers in the West and South? This would savor too much of socialism, of paternalism, and government in business, but it would be all right—good business—for privileged shipowners. Oh, no, Mr. President, such a policy will never be permitted by the people.

Again, why not direct that the head of the Forestry Bureau to estimate the depletion and depreciation in values in our vast forests and lumber industries which shall be binding upon the Commissioner of Internal Revenue in the estimation and assessment of taxes in our great lumber industries? Why should the vast corporations owning oil tankers and iron-ore-carrying ships be allowed the privilege of having the Shipping Board estimate the values and depreciation upon which their income tax had been based while a similar privilege to the farmer, the miner, the manufacturer, and the lumberman is refused?

If we are to have the values upon which income taxes are levied estimated by the favor of any one particular governmental board in the interest of a certain class of taxpayers, why not pass a general amendment to the income-tax laws and provide that all values shall be estimated by the particular branch of the Government having supervision over the class of industry in which the taxpayer is engaged? Why not let the Department of Labor estimate the depreciation in the earning capacity of the large body of laboring men in this country, some of whom are obliged to pay income taxes, and then certify that to the Commissioner of Internal Revenue as a basis for taxation? Mr. President, if I am wrong in my interpretations, the people have a right to know the facts and then act for themselves. Certainly, we do not want to have any doubts about so important matters or any special advantages to any group of men or industries. All the farmer has asked is for a square deal, an equal chance with others, and he objects strongly to further favoritism in legislation, but he wants to see a creditable merchant marine in this country.

Mr. President, I think I have fully demonstrated the viciousness of this proposed fundamental change in our taxing law which seeks to grant special privileges to wealthy corporations. The best thing that can be done by those Senators who honestly believe that a direct subsidy to American shipping is necessary and right would be to strike from this bill all references to the internal revenue laws, for when one attempts to embark upon the unknown sea of class legislation in matters of taxation it is hard to determine the port at which the voyage will end.

THE BILL IS SPONSORED BY THE SHIPPING BOARD.

The best way to judge those who sponsor a measure of this kind is to consider their past performances. Let us notice just a few matters of administration and policy of the Shipping Board, matters which in themselves are almost inconsequential when considered in relation to that governmental agency, but matters, nevertheless, that will show us whether or not we should follow their lead.

Charges have been freely made in the press and on this floor that the Shipping Board was a mass of incompetency, which resulted in extravagance, waste, graft, and actual fraud; that the books and accounts of the Shipping Board and Emergency Fleet Corporation were so poorly kept that the financial affairs of the board were so hopelessly entangled that no one knew the actual financial standing of the board. One matter has come to my attention affecting the administration of the treasurer's office of the board which seems to substantiate these charges of mismanagement. So far as I can learn the treasurer of the Shipping Board, and, by the way, he is the treasurer also of the Emergency Fleet Corporation, has never submitted to Congress a list showing the financial concerns in which the moneys of the board were deposited, nor has a list showing the nature and amounts in detail of the securities owned by the board or held in trust by them ever been submitted.

WHO IS RESPONSIBLE?

During the early part of last year it was discovered that the treasurer's office of the Shipping Board had no record of the amounts of money on deposit to the credit of the Shipping Board in a great number of the depositories, large and small, all over the country. As a matter of fact, it seems it did not have a list of such depositories, and the files of the office had to be searched to find the names of the banks and other financial institutions which might have on deposit money of the Shipping Board or of some of its agencies.

WHO HAS UNCLE SAM'S MONEY?

Consequently a form letter was sent to every institution where it was suspected the Shipping Board had kept an account, and I understand some twelve or fifteen hundred of these letters were sent out. Of the aggregate of this, however, I have no detailed information. The following is a copy of one of these letters:

NATIONAL BANK.

GENTLEMEN: It appears from the records in this office that the United States Shipping Board of the United States Shipping Board Emergency Fleet Corporation maintained an account with your bank in 1918.

The records are not in sufficient detail to afford complete reply to an inquiry from the financial vice president as to the status of the accounts maintained in the former depositories. In order that this may be available you are requested to furnish the following information:

If the account has not been finally closed please state the balance as of the date of your reply, and whether the balance includes current accrued interest.

If the account has been closed will you please state the date and amount of the last payment and whether it includes the accrued interest on the account up to the date of withdrawal?

Your early reply will be appreciated.

T. L. CLEAR, Treasurer.

Be it said to the credit of our national banks and trust companies, I am informed answers were received from practically all of the letters sent out, and various sums of money were found to be in these banking institutions to the credit of either the Shipping Board or the Emergency Fleet Corporation or some of its agents. The following is a sample of one of these letters:

THE ——— TRUST CO.,
February 21, 1922.

UNITED STATES SHIPPING BOARD EMERGENCY FLEET CORPORATION,
Washington, D. C.

(Attention Mr. T. L. Clear.)

GENTLEMEN: Your letter of February 23 in reference to accounts in the name of United States Shipping Board Emergency Fleet Corporation received, and in reply to same we beg to advise you that upon examination of our books we find that we have an account with * * * resident auditor, of \$15.48, and also contract * * * of \$123.84.

Trusting this is the information you desire, we are,
Very truly yours,

THE ——— TRUST CO.,
Assistant Treasurer.

THE BOARD FINDS SOME MONEY.

An answer was sent to this letter of the trust company in the following terms and checks for the amount were duly received by the treasurer's office:

The ——— TRUST COMPANY,

MARCH 15, 1922.

GENTLEMEN: With reference to your letter of February 27, 1922, relative to the accounts of the United States Shipping Board Emergency Fleet Corporation, will you please remit by cashier's checks payable to the United States Shipping Board Emergency Fleet Cor-

poration the amount of \$15.48 carried on the former account of ———, resident auditor, and \$123.84 carried in the former account of Housatonic Shipbuilding Co.

Yours truly,

(Signed) T. L. CLEAR, Treasurer.

Mr. President, this correspondence discloses an administration of Government business which is intolerable and this condition of affairs exists under Mr. Lasker's administration of the Shipping Board, the man who presumes to advise the Congress as to the legislation that is necessary to secure national prosperity. Is it not time that a thorough and exhaustive investigation should be instituted?

Mr. President, Congress should order an investigation of the office of the treasury of the Shipping Board and Emergency Fleet Corporation in order to ascertain how much has been lost, if any, to the Government in this careless method of book-keeping. There is, however, another phase of the situation in the Shipping Board which these letters I have cited developed. How was it possible for the Shipping Board to audit the accounts of its branch offices and of its contracts with the various shipbuilding companies when it did not know how much money remained unexpended and had no record of the accounts or expenditures or even where the money was on deposit? Was the expensive audit conducted under contract with Lybrandt, Ross Bros. & Montgomery, at an expenditure of over \$500,000, an actual audit, or was it based upon guesswork, for surely these accounts referred to in the letters of Mr. Clear, the treasurer, do not appear to be a part of that audit? This audit, itself, it is alleged, was conducted by the Shipping Board through an evasion of the law, and Mr. Lasker in his testimony before the Senate Committee on Appropriations in August, 1921, may have misled the committee or have been uninformed himself as to the cost and extent of such an audit. On pages 5 and 6 Mr. Lasker stated that the cost of this so-called Montgomery contract would be in the neighborhood of \$50,000, and when Senator Smoot intimated that the contract might extend to \$200,000 Mr. Lasker impressed the committee with the idea that it would not amount to that sum.

HOW THE LAW IS EVADED.

In order that outside auditing firms might not be employed by the Shipping Board, Congress included in the deficiency appropriation bill of that year at the instance of Senator LA FOLLETTE and with the approval of Senator SMOOT and Senator WARREN a provision which provided that hereafter all accounting of every nature should not be done by outside firms, but should be under the supervision of the Bureau of Efficiency. It would seem this provision of law was evaded by transferring all of the accounting of the Shipping Board to the Emergency Fleet Corporation, which being a private corporation, under the law continued the Montgomery contract in effect until over \$500,000 have been expended. Even now, it is asserted, experts consider the Montgomery audit as lacking and the system of accounting approved by this firm as an inefficient method for handling the vast amount of claims in which the Government is interested. The Perley and Morse audit previously conducted by the Shipping Board, it appears, was likewise a failure, although the Government in this venture, through the Shipping Board, paid this firm of accountants approximately \$600,000. Since the inception of the Shipping Board the tendency has been to place the operations of the Emergency Fleet Corporation beyond the control of Congress, and it appears there was no supervision of accounting by the auditors of State and other departments or of the Comptroller of the Treasury. One can not fail to wonder why these things should be. Who can enlighten the people? In harmony with past policies the provisions of the present bill in providing that Congress is to have no supervision of the expenditures of the subsidy for the period of 10 years is in strict accord with the conduct of the high-priced officials of the Shipping Board, who are constantly seeking unlimited appropriations where the Government can not act as guardian of the vast expenditures of the people's money. Why should we invite scandal through such legislation?

QUESTIONABLE TRANSACTIONS.

Story after story of individual questionable transactions involving, to say the least, gross mismanagement have been brought to the attention of Senators by men formerly connected with the Shipping Board or by those transacting business with the board. I call attention to two of these as samples, the truth of which can easily be established through an investigation. The first one impugns the accuracy of the so-called Montgomery audit above referred to, and is as follows: "The Baltic Steamship Co. purchased under contract in 1920 from the United States Shipping Board a passenger steamer named the *New Rochelle*. They were required to pay \$27,500 in cash as the first payment on the vessel, which was purchased 'as is, where

is. Their contract required that the purchaser would pay for reconditioning the vessel."

Several months after the initial payment a second payment amounting to \$22,500 was made, making a total payment by the purchaser of \$50,000. No subsequent payments were made by the purchaser.

The vessel was reconditioned and completed one or more trips under the direction of the purchaser. Recently, by reason of libels attached to the vessel, the Shipping Board, exercising its rights as mortgagor, took back the vessel. The Shipping Board was then confronted and forced to pay the bill for reconditioning which was not paid by the purchaser in accordance with its contract, and which bill amounted to over a million dollars. The Shipping Board was also required to pay voyage expenses which were not paid by the purchaser, which amounted to between \$300,000 and \$400,000.

The remarkable and unexplainable act on the part of the Shipping Board, approved by Mr. Montgomery, who has full authority under the chairman and final powers with respect to approval of vouchers for payment occurred in this act, to wit: A claim was made by the purchaser that the consumable stores on board this vessel when she was taken over by the Shipping Board belonged to them, and did not become the property of the Shipping Board. Their contention was accepted, and a voucher was approved by Mr. Montgomery on July 8, 1921, for the payment to the said Baltic Steamship Co. of the sum of thirty-three thousand eight hundred and odd dollars as representing the value of said consumable stores. This payment disregarded the fact that these stores were purchased and placed aboard by the steamship company who failed to pay, requiring the Shipping Board to pay bills therefor, which appeared under unpaid voyage account bills. This action on the part of the Shipping Board is unparalleled in the history of sound business, and is so openly notorious as to suggest an intentional irregularity.

Mr. President, it does not seem possible that the Government should be required to pay twice for the same goods, but if this story, as it came to me, be true, that is exactly what the Government has done.

WAS ALL PROPER AND HONEST?

The other story is an account of an original contract and the names are all given. It is as follows:

Memorandum.

(Original contract, dated May 27, 1917. Samuel L. Moore & Sons Corporation and L. C. Gillespie & Sons.)

COST.

- (1) Actual cost of material.
- (2) Actual cost of labor.
- (3) Overhead 65 per cent of direct labor.
- (4) Profit 30 per cent on sum of items 1, 2, and 3.

HISTORY.

Hull was commandeered by Executive order in August, 1917. Shipbuilding Corporation (Ltd.) was organized and assumed control of the Samuel L. Moore & Sons Corporation as of November 1, 1917. No new contract was entered into between the Bethlehem Co. and the E. F. C. The E. F. C. assumed the position of the former owner.

The original contract called for a combination oil and general cargo steamer.

The motive power of this vessel was to be a coal-burning apparatus. This was later changed by the E. F. C. to an oil-burning apparatus, which, of course, necessitated many expensive alterations in the hull and machinery. When work under that change was in progress the E. F. C. made a further change by placing the machinery from the fore to the aft. In addition to the aforementioned changes there were many other expensive alterations, each requiring the abandonment of material originally fabricated. This vessel was on the ways from the early part of 1917 to August, 1919.

COST.

The approximate cost of the vessel, as shown by the books of the contractor, was \$2,000,000, to which should be added the profit of 30 per cent on the cost, amounting to \$600,000, making a total cost of \$2,600,000. The dead-weight tonnage of this vessel was 5,100 tons. The approximate cost per dead-weight ton was \$500, which, when compared to other vessels built by the contractor, appears very excessive.

Tons.

The net steel charged to item 12 was approximately 6,300,000
The amount of steel required in the construction of the hull
as delivered (certified to by naval architects) was 4,300,000

Excess 2,000,000

At an average cost of 5 cents per pound, the additional burden on cost due to the excess charges for steel amounted to \$130,000 (including the 30 per cent profit). No effort was made to ascertain the additional cost of machinery material required due to the changes summarized above.

GENERAL.

The Emergency Fleet Corporation made no change in this contract similar to those of other former-owner contracts. Other former-owner contracts were changed from lump sum to cost plus 10 per cent or cost plus \$10 per dead-weight ton. If the contract had been changed to a cost plus 10 per cent, the saving to the Government would have been about \$400,000, or if the contract had been changed to a cost plus \$10 per dead-weight ton the saving in profit would have been \$550,000. Approved audited overhead at the yard should not be 65 per cent, and had contract provided for actual instead of 65 per cent overhead a further saving to the Government would have been effected.

It is difficult to believe, it is hard to realize, that American citizens could descend to such depths as to be guilty of such iniquities against their own Government. There is a Nemesis that follows such perfidy with pitiless arm and tireless feet that never rests and never sleeps until the wrong is atoned for.

BAD RECORDS AND FILES.

It is charged:

"The records and files of the Shipping Board themselves and of the Emergency Fleet Corporation are in a most deplorable condition, and daily important papers are lost which materially affect the standing of claimants before the board."

This statement was made to me by a gentleman thoroughly familiar with the workings of the Shipping Board; and to illustrate the delays and embarrassments caused by the loss of papers, he handed me the following memoranda, which illustrates this condition. It is as follows:

"JUNE 25, 1921.

"Office memorandum.

"The files of correspondence belonging to the Auditor for the State and Other Departments relating to the claim of the Shawmut Steamship Co. against the United States Grain Corporation, amounting to \$77,840.20, for the unpaid balance on freight revenues for cargo shipped on the steamship *Mystic* has been missing for some time. When last seen the correspondence was in a manila folder, and was checked through the mail room to the chairman's office on April 15, 1921, but the latter office has no record of its receipt.

"As it is essential for the Auditor for the State and Other Departments to have these papers in order to settle the claim, it is requested that each official of the Shipping Board and Emergency Fleet Corporation cause a thorough search to be made of the desks and files in their respective offices and advise the Secretary of the result. The file, if found, should be immediately transmitted to this office.

"(Signed) _____, Secretary."

THE STEEL TRUSTS HAVE A HAND.

I am informed that the corridors of prominent hotels in Washington have been thronged with men who were discussing the possibilities of purchasing vessels owned by the Government should this bill become a law, and among the statements made among these men, who are supposed to know what is going on in the "holy of holies" of the Shipping Board, is a statement to the effect that in all contracts of purchase of vessels from the board will be a provision requiring the purchaser to equip the vessel purchased with oil-burning machinery of a certain type whenever required by the board to do so. It seems, according to these gentlemen, that the patents for this particular type of oil-burning machinery are owned exclusively by the Bethlehem Steel Corporation, and the result of this provision in a contract would be to put the purchasers of vessels from the United States at the mercy of this gigantic trust, whom many people believe were guilty of profiteering during the war. The truth or falsity of these allegations can not be ascertained by me, yet I think they are serious enough in their nature to require a committee of this body to inquire into. Surely it is no part of the policy of Congress to give to the manufacture of any one particular type of marine engine an exclusive monopoly.

WHY THIS DANGEROUS POLICY?

There is another provision in this bill which does not meet with my approval, and that is placing in the hands of the Shipping Board jurisdiction over the joint water and rail rates. The skirts of the Shipping Board do not appear to be clean when it comes to the question of rate-making power. As late as June, 1920, the board postponed putting in operation those provisions of the Jones Act which would prevent the making of exclusive contracts between the railroads of the United States and foreign steamship companies. As a result of such postponement the railroads of this country, it is rumored, entered into contracts with foreign steamship companies which discriminated against American shipping. It is said that these contracts are all on file in the Interstate Commerce Commission. The Shipping Board, perhaps unintentionally, is responsible for the contracts having been entered into. Here they undoubtedly acted against the interests of American shipping.

Mr. President, is it safe, therefore, to leave the approval or disapproval of these contracts exclusively in the hands of the Shipping Board as provided for by this bill? In my opinion, it is not, because the board might, it seems, decide to leave in force contracts between a particular railroad and a particular foreign steamship company which the individual members of the Shipping Board might feel inclined to favor. The enforcement or nonenforcement of the provisions relating to the joint rate contracts are not obligatory; they are merely discretionary with the board, and there is nothing in the law to prevent the board from exercising this discretionary power either for political advantage or for a more sinister advantage. The law on this subject should be obligatory, not discretionary.

Mr. President, in saying this I am condemning a system and not the individuals of the system, many or all of whom may be sincere and honestly endeavoring to do their duty.

CHEAP OCEAN RATES, PERHAPS.

Mr. President, the Senators who favored the passage of the pending bill have stated again and again that the result of its operations will be cheaper ocean freight rates for the products of the farm and the factory. This bill leaves the rate-making power in the hands of the board, and if the future actions of the board are to be judged by its actions in the past instead of having lower freight rates for farm products, the farmers and shippers of this country will have to pay higher freight rates. Even after the war was over, I find that the Shipping Board, on August 24, 1920, increased the freight rates 20 to 40 per cent above what they had been during the war, and these increases took effect not later than January 1, 1921. What assurance has

the American public that the Shipping Board, with its top-heavy personnel and apparent disregard for public opinion, will be interested in the reduction of freight rates and costs to the shipper, when its every performance in the past has been against the producers and the public and for the granting of special favors to favorite shipowners and ship operators?

FARM ORGANIZATIONS ARE OPPOSED TO A SHIP SUBSIDY.

Mr. President, nearly every large farm organization in this country has come out openly in opposition to the ship subsidy bill. The American Farm Bureau Federation, at their annual meeting at Chicago, December 11-14, 1922, passed resolutions in opposition, as follows:

Inasmuch as it has been the general policy of this country to subsidize railroads by land grants, bonds, and granting special privileges; manufacturers by a protective tariff, and it is now proposed by those in charge of our general policy to subsidize our shipping interests by the payment to them of a bonus, for all of which the consuming public must foot the bill; we emphatically protest against the continuance of a policy that has become confiscatory instead of protective.

There is not much cheer in that for friends of the ship subsidy.

Mr. President, here we have one of the largest farm organizations and the most widely distributed in this country condemning in unmistakable terms the policy of a ship subsidy. The farmers do not see wherein great benefits would come to them, such as have been claimed by proponents of the measure. On the other hand, the farmers feel that they, in a large measure, will be called upon to foot the bills should the ship subsidy bill pass with its continuing appropriations, probably running into billions, and they do not hesitate to go on record in opposition to any measure of this kind.

Let me say, also, that should the proposed ship subsidy be forced through Congress at this session, it will prove, in my judgment, disastrous to the party pushing it, and especially so in a large part of the West and Northwest country. Furthermore, upon an examination of the reasoning by which Mr. Lasker and his confrères reach the conclusion that Government ownership, which has proved successful, although managed by men hostile to it, should be abandoned for private operation, which they say has proved a failure, we see at once that it is not an induction from undisputed facts, but a deduction from a previously assumed doctrine, viz, that the insatiable greed of predatory privileged interests is paramount to the rights and interests of the producing classes. The spirit of the American people revolts against such an interpretation of our institutions, and they are sure to repudiate it whenever the opportunity present itself.

SHALL THERE BE A NEW BOARD?

The report of the committee, and Mr. Lasker's carefully prepared statement, conclusively prove that if the present Shipping Board are removed because of their hostility to Government operation of Government ships and a board substituted in full sympathy with Government operation and free from the sordid and sinister influences of the predatory privileged interests, there can be no doubt that Government operation will be a tremendous success.

The experience of mankind has amply demonstrated that governmental interests and private interests can not be combined without producing public misfortunes and the corruption of public officials. Private interests, whenever involved in governmental affairs, are forever encroaching upon public rights and securing new and extending old predatory privileges. Therefore they must be kept distinct and separate if we are to have a pure and honest government and clean and decent politics. This is a political truth that we have ignored.

Mr. President, in justice to the people of this great land, we can not grant such powers as provided in this bill. Instead of this bill giving the people of this land a great shipping industry and a great fleet that will sail the seven seas, its provisions are such as will result in the building up of a gigantic shipping trust that will throttle the efforts of all independent shippers, and will eventuate in extortionate rates and the elimination of competition. Let us bend our energies, Mr. President, to some method that will perpetuate the American flag upon the seas in honor and respect, and will not simply mean that particularly favored ones shall be given the exclusive right to flaunt Old Glory in the commercial intrigues of the world.

Mr. McKellar resumed and concluded the speech begun by him yesterday, as follows:

Mr. McKellar. Mr. President, on yesterday I gave notice that I would conclude my speech to-day or at some later time. I want to conclude it now by asking unanimous consent to print in the Record as a part of my remarks the substitute I have offered for the subsidy bill.

There being no objection, the bill was ordered to be printed in the Record, as follows:

**IN THE SENATE OF THE UNITED STATES,
January 16 (calendar day, January 19), 1923.**

Amendment (in the nature of a substitute) intended to be proposed by Mr. McKellar to the bill (H. R. 12817) to amend and supplement the merchant marine act, 1920, and for other purposes, viz: Strike out all after the enacting clause and insert the following:

That section 5 of the merchant marine act of 1920 is amended to read as follows:

"Sec. 5. (a) That in order to accomplish the purposes of this act, and more effectively to build up an American merchant marine, the board is authorized to sell, whenever a demand for vessels makes it to the interest of the Government to sell and consistent with good business methods and the objects and purposes to be obtained by this act, at public competitive sale, after appraisal and due advertisement, to persons who are citizens of the United States, except as provided in section 6 of this act, any vessels that five-sevenths of the board may conclude are undesirable as a part of the American merchant marine, and where such vessels have not been in use and have been tied up for a period of at least one year.

"(b) Any sale under this section shall be made at such prices and on such terms and conditions, including the use and disposition of the vessel by the purchaser, as the board may prescribe; except that (1) the completion of the payment of the purchase price and interest shall not be deferred more than 15 years after the making of the contract of sale; (2) interest on the unpaid purchase price shall be payable at least annually at a rate of not less than 4½ per cent per annum; and (3) the payments of principal shall be so arranged that the amounts due and paid under the contract of sale as principal, up to any moment of time, shall be sufficient to cover depreciations of the vessel up to such moment, unless the board waives this requirement upon the giving of adequate security: *Provided, however*, That no officer, agent, representative, or employee of the Shipping Board or of the Government, or anyone who has been in the last three years, shall in any way be interested as a vendee in any purchase made from the Shipping Board within a period of 10 years after such officer, agent, employee, or representative has left the service of the Shipping Board or the Government.

"(c) All sales made under the authority of this act shall be subject to the limitations and restrictions of section 9 of the shipping act of 1916 as amended: *Provided, however*, That the ship known as the *Leviathan*, now being reconditioned, shall not be sold for a price less than the cost of reconditioning the vessel nor at all without the approval of Congress first had and obtained."

SEC. 2. (a) Section 7 of the merchant marine act, 1920, is amended by inserting after the first proviso thereof the following: "*Provided further*, That domestic communities primarily interested in such lines shall be understood to mean the geographical divisions of the coast lines of the United States known as the North Atlantic, South Atlantic, Gulf, and Pacific coasts, together with the particular ports from which such lines may run or be intended to run and the territorial regions and zones naturally tributary to such ports and coastal divisions: *Provided further*, That the board shall not for the period of two years after the enactment of the merchant marine act, 1922, sell vessels operating on routes established by the board prior to the enactment of this act to persons other than those who in the judgment of the board have the support, financial and otherwise, of the domestic communities primarily interested in such lines": *Provided further*, That the board shall not establish any discriminatory rates or permit any discriminatory rates as between ports along the Atlantic seaboard; all rates from such ports to be on a parity.

(b) Such section is further amended by adding at the end thereof a new paragraph to read as follows:

"It is hereby declared to be the policy of Congress to discourage monopoly in the American merchant marine, and in pursuance of this policy the board is directed, in the development of its sales and its assignment policy, to continue as far as possible and practicable, subject to the provisions of this section, all existing steamship routes and regular services, and to endeavor in every way to bring about the permanent establishment of such routes and services, and their retention, as far as possible, in the hands of persons having the support, financial and otherwise, of the domestic communities primarily interested in such routes and services. In carrying out the provisions of this section the board is directed to investigate fully all matters in connection therewith, and to conduct hearings at which the persons interested in such communities may have the opportunity to express their views as to the course to be pursued by the board and the methods to be adopted in carrying out the policy herein prescribed."

INSURANCE.

SEC. 3. Section 9 of the merchant marine act, 1920, is amended to read as follows:

"SEC. 9. That if the terms and conditions of any sale of a vessel made under the provisions of this act include deferred payments of the purchase price, the board shall require, as a part of such terms and conditions, in order to protect and secure the equity of the United States for such unpaid purchase money, that the purchaser of the vessel and his successor in title shall keep the same insured (a) against loss or damage by fire, and against marine risks and disasters, and war and other risks if the board so specifies, with such insurance companies, associations, or underwriters, or with the separate insurance fund to the extent authorized by section 10 of this act, and under such forms of policies and to such an amount as the board may prescribe or approve; and (b) by protection and indemnity insurance, if the board so specifies, with such insurance companies, associations, or underwriters, or with the separate insurance fund to the extent authorized by section 10 of this act, and under such forms of policies and to such an amount as the board may prescribe or approve. The insurance required to be carried under this section shall be made payable to the board and/or to the parties as interest may appear. The board is authorized to enter into any agreement that it deems wise in respect to the payment and/or the guaranty of premiums of insurance."

SEC. 4. Section 10 of the merchant marine act, 1920, is amended to read as follows:

"SEC. 10. That the board may create out of revenue from operations and sales, and maintain and administer, a separate insurance fund, which it may use to insure in whole or in part, for the account of whom it may concern, against all hazards covered by insurance in such cases, for an amount not exceeding any interest or equity of the United States therein (a) any vessel either constructed or in process of construction, and any obligation or liability in connection therewith; except that whenever the obligation rests upon any person, other than the United States, to place any such insurance or to pay the premium therefor, such insurance may be placed in the insurance fund only in case the rates obtainable for such insurance from foreign insurance companies are lower than those obtainable from American insurance companies, and (b) any plants or materials heretofore or hereafter acquired by the board or hereby transferred to the board."

SEC. 5. Section 11 of the merchant marine act, 1920, is amended to read as follows:

"SEC. 11. (a) That there is hereby established in the Treasury a revolving fund to be known as the 'United States Shipping Board construction loan fund' (hereinafter in this section called the 'loan fund'). There shall be covered into the loan fund all moneys which at the time of the enactment of the merchant marine act, 1922, are in the fund created by this section as in force before its amendment by such act; and the board may set aside and cover into the loan fund all receipts of the board, except appropriations made by law and profits of the board from the operation of vessels; but the total amount of moneys covered into the loan fund (other than payments upon the principal and interest upon loans made therefrom) shall not exceed \$125,000,000.

"(b) The board may use the loan fund, to such extent as it deems necessary, for making loans to aid persons, citizens of the United States, (1) in the construction by them in the private shipyards of the United States of vessels of the best and most efficient type equipped with the most efficient and the most economical machinery and commercial appliances, or (2) in the equipping by them of vessels already built with such machinery and commercial appliances: *Provided*, That this section shall not apply to the construction or equipment of vessels by corporations or individuals primarily for the purpose of transporting their own products, and no loan shall be made unless it has the sanction of at least five out of the seven members of the board, the names of those voting for the loans to be spread upon the minutes of the board.

"(c) No loan shall be made for a longer time than 15 years. All loans shall bear interest, payable at least annually, upon the unpaid principal at a rate not less than 5 per cent per annum. No loan shall be made (1) in the case of a loan for construction purposes for a greater sum than one-half of the cost of the vessel to be constructed, nor (2) in the case of a loan for equipment purposes for a greater sum than one-half of the cost of the equipment or one-half of the value of the vessel when thus reequipped, whichever is the lesser. The board shall require such security for the loan, including a first lien upon the entire interest in the vessel with reference to which the loan

is made, as it deems necessary in order to insure the repayment of the loan with interest. In case of a loan under this section made after the enactment of the merchant marine act, 1922, all payments upon the principal and interest of the loan shall be covered into the loan fund."

SEC. 6. (a) Section 24 of the merchant marine act, 1920, is amended to read as follows:

"SEC. 24. That all mails of the United States shipped or carried on vessels shall, if practicable, be shipped or carried on vessels documented under the laws of the United States which are not ineligible under subdivision (c) of section 406 of the merchant marine act, 1922, to receive compensation under Title IV of such act (hereinafter in this section referred to as qualified vessel). No contract hereafter made with the Postmaster General for carrying mails on qualified vessels shall be assigned or sublet, and no mails covered by such contract shall be carried on any vessel not so qualified. No money shall be paid out of the Treasury of the United States on or in relation to any such contract for carrying mails on qualified vessels when such contract has been assigned or sublet or when mails covered by such contract are in violation of the terms thereof carried on any vessel not so qualified."

(b) Section 7 of the merchant marine act, 1920, is amended by striking out so much thereof as reads as follows: "The Postmaster General is authorized, notwithstanding the act entitled 'An act to provide for ocean mail service between the United States and foreign ports, and to promote commerce,' approved March 3, 1891, to contract for the carrying of the mails over such lines at such price as may be agreed upon by the board and the Postmaster General."

(c) The act entitled "An act to provide for ocean mail service between the United States and foreign ports, and to promote commerce," approved March 3, 1891, is repealed.

TONNAGE DUTIES.

SEC. 7. After 30 days from the enactment of this act all amounts required to be levied, collected, and paid as tonnage duties, tonnage taxes, or light money, except such amounts as are required to be paid into the Treasury of the Philippine Islands, shall be double the amounts which would be required to be levied, collected, and paid if this act had not been enacted. This section shall not apply in the case of a sailing vessel (as defined in sec. 405) of less than 1,000 gross tons, or in the case of any other kind of vessel of less than 1,500 gross tons.

TITLE II.—TRANSPORTATION OF IMMIGRANTS BY WATER.

SEC. 8. As nearly as practicable three-fourths of the total number of immigrants admitted to the United States in any fiscal year shall be transported in vessels registered or enrolled and licensed under the laws of the United States.

The Commissioner General of Immigration, with the approval of the Secretary of Labor, shall make regulations necessary for the enforcement of section 301. All such regulations, in so far as they relate to the administration of such section by diplomatic or consular officers of the United States, shall be subject to the approval of the Secretary of State.

Section 301 shall not take effect as to immigrants transported in a vessel documented under the laws of any foreign country until a time fixed by proclamation of the President. The President is authorized and directed, whenever in his opinion the provisions of this title or of regulations made thereunder, are or may be in conflict with treaties or conventions with a foreign country, to take such steps as may, in his opinion, be necessary to remove such conflict. Whenever, in his opinion, no such conflict exists in the case of any country he shall so proclaim, and the provisions of this title and regulations made thereunder shall take effect in the case of immigrants transported in vessels documented under the laws of such country at the time specified in his proclamation therefor.

The term "United States" as used in this title in a geographical sense means the several States, the Territories of Alaska and Hawaii, the District of Columbia, Porto Rico, and the Virgin Islands.

TITLE III.—ARMY AND NAVY TRANSPORTS.

SEC. 9. Whenever in the judgment of the President adequate transportation facilities to meet any or all of the needs of the Army, Navy, or Marine Corps are afforded by vessels registered, or enrolled and licensed, under the laws of the United States, he may direct the discontinuance in whole or in part of the transport service of either the Army or the Navy and transfer to the board or place out of commission any of the vessels now or hereafter engaged in either of such services. Whenever such disposition is made, the Secretary of War and the Secretary of the Navy, respectively, are authorized and directed to enter into contracts with owners of vessels registered, or enrolled and

licensed, under the laws of the United States, for such transportation as may be required by the Army, the Navy, or the Marine Corps, respectively. Such contracts may be for a term of 10 years. The board shall furnish whatever assistance may be necessary in the making of such contracts. There is hereby authorized to be appropriated such sums as are necessary to meet the payments required under such contracts.

TITLE IV.—PROVISIONS RELATING TO RAIL AND WATER TRANSPORTATION.
DEFINITIONS.

SEC. 10. As used in this title the term "commission" means the Interstate Commerce Commission.

INTERRELATIONS OF RAIL AND WATER TRAFFIC.

(a) It is hereby declared to be the policy of Congress to promote, encourage, and develop water transportation, service, and facilities in connection with the commerce of the United States, and to foster and preserve in full vigor both rail and water transportation, and the board and the commission are hereby severally authorized, empowered, and directed to cooperate to that end.

(b) The board and the commission are authorized and directed to create a joint board, selected from among their members, officers, and employees, to study the conditions and interrelations of rail and water traffic, questions relative to the control, improvement, and extension of ocean freight terminals, and the principles and methods essential to accomplishing the policy declared in subdivision (a).

(c) The joint board shall appoint a secretary who shall keep minutes of its meetings, which minutes shall be furnished to the members of the board and of the commission. The joint board shall hold regular semimonthly and such additional meetings as may be necessary to transact properly its business.

(d) The joint board shall formulate and make such recommendations to the board and the commission, not inconsistent with law, pertaining to the interrelations of rail and water traffic, as it deems necessary to accomplish the policy declared in subdivision (a). The board shall make effective, by such means as are granted it by law, any such recommendation upon any matter within its jurisdiction, if such recommendation is approved by the board. The commission shall have a like duty as to any such recommendation upon any matter within its jurisdiction.

(e) None of the provisions of this section shall be construed to affect the power or jurisdiction of the commission, or to confer upon the board concurrent power or jurisdiction over any matter within the power or jurisdiction of the commission.

EXPORT BILLS OF LADING.

SEC. 603. Paragraph (4) of section 25 of the interstate commerce act, as amended, is amended by adding at the end thereof a new section, to read as follows: "In making rules and regulations prescribing the form of such through bills of lading, the commission shall adopt as the portion thereof governing the carriage of goods by water in foreign commerce such form as may be certified to the commission by the United States Shipping Board for such purpose."

RAIL-OWNED WATER LINES.

SEC. 604. Paragraph (9) of section 5 of the interstate commerce act, as amended, is amended by striking out the period at the end thereof and inserting in lieu thereof a colon and the following: "Provided, That the foregoing provisions of this paragraph shall not apply in any case where such common carrier by water or such vessel is engaged exclusively (a) in trade (other than with foreign contiguous territory) not included in the coastwise trade, or (b) in trade between ports in the United States and ports in the Philippine Islands, but this proviso shall not apply in any case where such common carrier by water or such vessel is engaged exclusively in trade upon any of the rivers or canals of the United States."

AGREEMENTS BETWEEN CARRIERS AFFECTING WATER TRANSPORTATION.

SEC. 605. Section 15 of the shipping act, 1916, is amended to read as follows:

"Sec. 15. (a) That every common carrier by water, or other person subject to this act, shall file immediately with the board a true copy, or, if oral, a true and complete memorandum of every agreement with another such carrier or other person subject to this act, or modification or cancellation thereof, to which it may be a party or conform in whole or in part, fixing or regulating transportation rates or fares; giving or receiving special rates, accommodations, or other special privileges or advantages; controlling, regulating, preventing, or destroying competition; pooling or apportioning earnings, losses, or traffic; allotting ports or restricting or otherwise regulating the number and character of sailings between ports; limiting or regulating in any way the volume or character of freight

or passenger traffic to be carried; providing warehousing, docking, or other terminal facilities; providing that the one carrier shall act in any manner as agent or representative of the other carrier; or in any manner providing for an exclusive, preferential, or cooperative working arrangement.

"(b) Every common carrier by water shall file immediately with the board a true copy, or, if oral, a true and complete memorandum, of every agreement with a common carrier by railroad subject to the provisions of the interstate commerce act, as amended, or modification or cancellation thereof, to which it may be a party or conform in whole or in part, relating to the interchange of freight or passengers, or the making of joint or through rates, or providing warehousing, docking, or other terminal facilities, or providing that the one carrier shall act in any manner as agent or representative of the other carrier, or in any manner providing for a cooperative working arrangement between the two carriers. In all such cases the common carrier by railroad shall also have a like duty. The provisions of this subdivision shall apply only to agreements relating to passengers or property transported or to be transported to or from a foreign country or the Philippine Islands from or to a port or other place in the United States.

"(c) The term 'agreement' as used in this section includes understandings, conferences, and other arrangements.

"(d) The board may by order disapprove, cancel, or modify any agreement, or any modification or cancellation thereof, whether or not previously approved by it, that it finds to be unjustly discriminatory or unfair as between carriers, shippers, exporters, importers, or ports, or between exporters from the United States and their foreign competitors, or to operate to the detriment of the commerce of the United States, or to be in violation of law, or to be otherwise detrimental to the interest and welfare of the United States, and shall approve all other agreements, modifications, or cancellations.

"(e) Agreements existing at the time of the enactment of the merchant marine act, 1922, shall be lawful until disapproved by the board. It shall be unlawful to carry out any agreement or any portion thereof disapproved by the board.

"(f) All agreements, modifications, or cancellations made after the enactment of the merchant marine act, 1922, shall be lawful only when and as long as approved by the board, and before approval or after disapproval it shall be unlawful to carry out in whole or in part, directly or indirectly, any such agreement, modification, or cancellation.

"(g) Every agreement, modification, or cancellation lawful under this section shall be excepted from the provisions of the act entitled 'An act to protect trade and commerce against unlawful restraints and monopolies,' approved July 2, 1890, and amendments thereof and acts supplementary thereto, and the provisions of sections 73 to 77, both inclusive, of the act entitled 'An act to reduce taxation, to provide revenue for the Government, and for other purposes,' approved August 27, 1894, and amendments thereof and acts supplementary thereto.

"(h) Whoever violates any provision of this section shall be liable to a penalty of \$1,000 for each day such violation continues, to be recovered by the United States in a civil action."

SEC. 606. Paragraph (d) of paragraph (13) of section 6 of the interstate commerce act, as amended, is amended to read as follows:

"(d) If any carrier by railroad subject to this act enters into arrangements lawful under section 15 of the shipping act, 1916, as amended, with any carrier by water operating from a port in the United States to a foreign country, for the handling of through business between interior points of the United States and such foreign country, the commission may require such carrier by railroad to enter into similar arrangements with any or all other carriers by water operating from such port to the same foreign country, but such arrangements shall be subject to the provisions of section 15 of the shipping act, 1916, as amended."

JOINT OR PROPORTIONAL RATES.

SEC. 607. Section 28 of the merchant marine act, 1920, is amended to read as follows:

"SEC. 28. (a) That no common carrier shall charge, collect, or receive, for transportation subject to the interstate commerce act, as amended, of passengers or property, under any joint rate, fare, or charge, or under any export, import, or other proportional rate, fare, or charge, which is based in whole or in part on the fact that the passengers or property affected thereby are to be transported to, or have been transported from, any port in a possession or dependency of the United States, or in a foreign country, by a carrier by water in foreign commerce, any lower rate, fare, or charge than that

charged, collected, or received by it for the transportation of passengers, or of a like kind of property, for the same distance, in the same direction, and over the same route, in connection with commerce wholly within the United States, unless the vessel so transporting such passengers or property is, or unless it was at the time of such transportation by water, documented under the laws of the United States.

"(b) Whenever the board is of the opinion, however, that adequate shipping facilities to or from any port in a possession or dependency of the United States or a foreign country are not afforded by vessels so documented, it shall certify this fact to the Interstate Commerce Commission, and the commission shall, by order, suspend temporarily the operation of the provisions of this section with respect to the rates, fares, and charges for the transportation by rail of passengers and property transported from, or to be transported to, such ports.

"(c) Such suspension of operation of the provisions of this section shall be terminated upon 30 days' notice, given in accordance with the requirements of section 6 of the interstate commerce act, as amended, by order of the commission whenever the board is of the opinion that adequate shipping facilities by such vessels to or from such ports are afforded and so certifies to the commission.

"(d) Whenever the board and the commission are both of opinion, and certify, that putting into effect or keeping in effect the provisions of this section will result in unjust discrimination between ports of the United States or commerce accustomed to move through such ports, or in materially changing the channels of transportation within the United States, or in unduly congesting one or more of the ports of the United States, the commission shall, by order, suspend the operation of said provisions until such time as it and the board reach a contrary conclusion in the premises, whereupon such suspension shall, by order, be terminated by the commission upon 30 days' notice as hereinbefore provided for the termination of other suspensions."

TITLE VII.—MISCELLANEOUS PROVISIONS.

TRANSPORTATION BY WATER OF GOVERNMENT OFFICIALS.

SEC. 11. Any officer, employee, or agent of the United States, including legislative, judicial, diplomatic, and consular officers, and officers serving in the military or naval forces of the United States, traveling by water, when the expense of such passage is chargeable directly or indirectly to the United States, shall when practicable travel in a public vessel of the United States or a vessel registered, or enrolled and licensed, under the laws of the United States. When passage in such a vessel is not practicable, the voyage may be made in a vessel under a foreign flag only when specifically ordered by the head of the department or other Government establishment concerned, or upon order specifically approved by such head of department or other Government establishment, who shall as promptly as possible report each such voyage made in a vessel under a foreign flag, together with the reasons showing necessity therefor to the board.

(b) Any person subject to the provisions of subdivision (a) who fails to comply therewith in respect to the passage taken shall not be reimbursed for such passage money, or shall be surcharged in his accounts with the United States with the amount thereof, as the case may require.

TRANSPORTATION OF GOVERNMENT SUPPLIES.

SEC. 12. All goods, wares, merchandise, and material of every nature (including supplies for the military or naval forces of the United States) belonging to or intended for the United States, transported by water, shall when practicable be shipped in a public vessel of the United States or a vessel registered, or enrolled and licensed, under the laws of the United States. When shipment in such a vessel is not practicable and the shipment is made in a vessel under a foreign flag, it shall be the duty of the officer, employee, or agent of the United States authorizing or making the shipment, within one month thereafter, to mail a written notice to the board, stating the ports of departure and destination, the date, the name of the vessel, and the reason why the shipment was not made in a public vessel or a vessel registered, or enrolled and licensed, under the laws of the United States.

SEC. 13. Whereas in section 34 of the merchant marine act passed by the Congress and approved June 5, 1920, the President was "authorized and directed within 90 days after this act becomes law to give notice to the several governments, respectively, parties to such treaties or conventions, that so much thereof as imposes any such restrictions on the United States will terminate on the expiration of such periods for the giving of such notice by the provisions of such treaties or conventions"; and

Whereas the President of the United States refused and failed to give notice as required by said act of Congress to the nations affected by said section; and

Whereas treaties with the following countries, together with the dates of conclusion of such treaties, are within the intent of section 34 of said merchant marine act of 1920: Argentine Republic, July 27, 1853; Belgium, March 8, 1875; Bolivia, May 13, 1858; Borneo, June 23, 1850; China, November 17, 1880, and October 8, 1903; Colombia, December 12, 1846; Costa Rica, July 10, 1851; Denmark, April 26, 1826; Ethiopia, June 27, 1914; Honduras, July 4, 1864; Italy, February 25, 1871; Liberia, October 21, 1862; Muscat, September 21, 1833; Netherlands, August 26, 1852; Norway, July 4, 1827; Ottoman Empire, May 7, 1830; Paraguay, February 4, 1859; Persia, December 13, 1856; Serbia, October 14, 1881; and Spain, July 3, 1902; and the treaty of commerce and navigation, concluded with France on June 24, 1822; and

Whereas the said conventions are no longer responsive in various respects to the commercial needs of the several countries:

Therefore be it enacted that the Secretary of the Senate and the Clerk of the House of Representatives shall, within 90 days after the passage of this act, give notice to each of said nations as required in said conventions by leaving a copy of this act with the diplomatic representatives of each of said countries in Washington, or by mailing to the officer conducting the foreign affairs of each of said countries, a copy each of this act.

Be it enacted further, that within the time limit mentioned in each convention after said notice is received by the diplomatic representatives at Washington of each of said countries, or after said notice has been received by the officer conducting the foreign affairs of each of said nations, the said conventions and each of them between the United States and each of said countries of dates mentioned herein are hereby entirely abrogated and annulled, as provided for in said conventions.

Be it enacted further, that the President is hereby requested, upon the abrogation of the said treaties, or any of them, to negotiate with the diplomatic representatives of said countries, in lieu of said conventions hereby abrogated, a new convention more in consonance between the United States and the said several countries.

SEC. 14. Whereas the convention between the United States and Great Britain, concluded on the 22d day of December, 1815, and extended by amendatory commercial convention ratified April 2, 1828, between said countries, provides in Article II of the amended convention, "Either of the contracting parties, in case either should think fit, at any time after the expiration of the said 10 years—that is, after the 20th of October, 1828—on giving due notice of 12 months to the other contracting party to annul and abrogate this convention, and it shall, in such case, be accordingly annulled and abrogated after the expiration of the said term of notice"; and

Whereas in section 34 of the merchant marine act passed by the Congress and approved June 5, 1920, the President was "authorized and directed within 90 days after this act becomes law to give notice to the several Governments, respectively, parties to such treaties or conventions, that so much thereof as imposes any such restrictions on the United States will terminate on the expiration of such periods for the giving of such notice by the provisions of such treaties or conventions"; and

Whereas the President of the United States refused and failed to give notice as required by said act of Congress; and

Whereas in the opinion of the Congress the convention aforesaid discriminates against the trade and commerce of the United States; and

Whereas in any event said convention is no longer responsive in various respects to the commercial needs of the two countries:

Therefore be it enacted that the Secretary of the Senate and the Clerk of the House of Representatives shall, within 90 days after the passage of this act, give notice to Great Britain, as required in said conventions as amended, by leaving a copy of this act with the British Ambassador to the United States, or by mailing to the Secretary of State for Foreign Affairs of Great Britain, London, England, a like copy of this act;

Be it enacted, that 12 months after said notice is received by the British Ambassador, or by the Secretary of State for Foreign Affairs of Great Britain, the said convention between the United States and Great Britain, of date December 22, 1815, as amended by the said convention of date of April 2, 1828, is hereby entirely abrogated and annulled, as provided in Article II of said amended convention ratified April 2, 1828;

Be it further enacted, that the President is hereby requested upon the abrogation of the said treaty as amended to negotiate with Great Britain in lieu of the convention hereby abrogated a convention more in consonance with modern conditions of trade and commerce between the two countries.

TITLE VI.

SEC. 15. The Secretary of the Treasury is hereby authorized and directed to set aside upon receipt of 5 per cent of the amount of all custom duties paid under law in force at the time of the enactment of this act or under laws subsequently enacted on all goods, wares, and merchandise imported in ships of the United States, and to pay out the same to the importers of goods, wares, and merchandise which shall be imported in such vessels of the United States, said sums to be paid in proportion to the duty collected on the goods thus imported by each importer: *Provided*, That these payments shall not be made prior to a day 15 months after the passage of this act, at which time the treaties mentioned in sections 13 and 14 of this act shall have been abrogated and annulled by this act, unless it shall be determined finally by the courts that this section is not affected by said treaties: *Provided further*, That no such sums shall be paid to any importer who imports any goods now on the free list, or which may hereafter by law be put upon the free list, in vessels other than in those of the United States, and the Shipping Board shall establish rules and regulations by which the fact of importation of goods on the free list shall be determined: *And provided further*, That persons traveling and returning to the United States bringing goods, wares, or merchandise with them, shall likewise be entitled to 5 per cent of the duties paid by them: *And provided further*, That this section shall not apply to importers transporting their own products in their own vessels.

REPORTS BY SHIPPING BOARD.

SEC. 16. The second paragraph of section 12 of the shipping act, 1916, is amended to read as follows:

"It shall, on or before the 1st day of December in each year, make a report to the Congress, which shall include its recommendations and the results of its investigations, a summary of its transactions, a statement of all expenditures and receipts (including the merchant marine fund and the construction loan fund), and of the operations of the Emergency Fleet Corporation and of any corporation which is managed or controlled by the board, and the names and compensation of all persons employed by the board."

HOME PORT OF VESSEL OF UNITED STATES.

SEC. 704. (a) The Secretary of Commerce is authorized to designate such ports of entry as he deems advisable as ports of documentation for vessels.

(b) For the purposes of section 30 of the merchant marine act, 1920, and of the navigation laws, the home port of a vessel shall be that port of documentation at or nearest to, and in the same customs district as, the place at which there is conducted the greater part of the vessel business of the owner of the vessel, except that the Secretary of Commerce shall by regulation prescribe the home port in cases where he finds that the above rule is not applicable, including among other cases the case of vessels owned by the United States or any governmental agency thereof, the case of vessels not engaged in trade, and the case where there is no port of documentation in the same customs district as the place at which the greater part of the vessel business of the owner is conducted. The decision of the Secretary of Commerce as to the home port of a vessel shall be final. Nothing in this section shall be held to repeal section 4178 of the Revised Statutes, as supplemented.

SEC. 705. Subsection B of section 30 of the merchant marine act, 1920, is amended to read as follows:

"Subsection B. When used in this section—

"(1) The term 'document' means certificate of registry or enrollment and license, whether permanent or temporary, but does not include a provisional certificate of registry;

"(2) The term 'port of documentation' when applied to any vessel means the home port of that vessel as shown in its documents;

"(3) The term 'vessel of the United States' means a vessel having a document issued under the laws of the United States, and for the purposes of this section such vessel shall be held to continue to be a vessel of the United States until the document is surrendered with the approval of the board; and

"(4) The term 'mortgagee' in case of a mortgage involving a trust deed and a bond issue thereunder means the trustee designated under the deed."

SEC. 706. Section 4141 of the Revised Statutes is amended to read as follows:

"SEC. 4141. Every vessel, except as otherwise provided by law, shall be registered by the collector of customs at the home port of the vessel."

SEC. 707. Subdivision (a) of subsection O of section 30 of the merchant marine act, 1920, is amended to read as follows:

"Subsection O (a). The documents of a vessel covered by a preferred mortgage may not be surrendered without the approval of the board, except (1) in the case of forfeiture of the vessel or its sale by order of any court of the United States or any foreign country, or (2) in case of the renewal of the documents without change in ownership of the vessel, or (3) in case of change of documents incident to change of trade but without change in ownership of the vessel. The board shall refuse its approval unless the mortgagee consents to the surrender."

SURRENDER OF DOCUMENTS.

SEC. 708. Section 42 of the shipping act, 1916, is amended to read as follows:

"SEC. 42. That any vessel registered, enrolled, or licensed under the laws of the United States shall be deemed to continue to be documented under the laws of the United States within the meaning of section 9 and of subdivision (b) of section 37 until such registry, enrollment, or license is surrendered, with the approval of the board, the provisions of any other act of Congress to the contrary notwithstanding."

REGULATIONS.

SEC. 709. Except where otherwise specifically provided in this act, the board may make such regulations in respect to matters placed under its jurisdiction by this act as it deems necessary in order to make effective the intent and purposes of this act.

SEPARABILITY.

SEC. 710. If any provision of this act or the application thereof to any person or circumstance is held invalid, the validity of the remainder of the act and of the application thereof to other persons and circumstances shall not be affected thereby.

SHORT TITLE.

SEC. 711. This act may be cited as the "merchant marine act, 1922."

SEC. 17. It is hereby declared the policy of the Congress that all the ships now owned by the Government under the direction of the Shipping Board shall be operated for a period of 10 years, either directly by the Shipping Board or by leasing to independent operators under such terms as the board shall prescribe, to the end that the American merchant marine may be established upon a firm and enduring foundation, provided that no ship shall be leased at a loss to the Government.

And the Shipping Board is hereby directed to establish trade routes and trade connections as rapidly as possible and wherever in its judgment paying routes can be maintained and to utilize every ship that it can utilize without loss to the Government. The Shipping Board is further directed to make a list of such ships as it does not believe can be profitably utilized by the Government or its lessees and make its recommendation in reference to the disposition thereof to the Congress at its December, 1923, session, giving full data as to each ship recommended to be sold to others than American citizens.

ORDER OF BUSINESS.

Mr. NORRIS. Mr. President, I ask unanimous consent, out of order, to make a report from the Committee on Agriculture and Forestry.

The VICE PRESIDENT. Without objection, it will be received.

The READING CLERK. From the Committee on Agriculture and Forestry, the Senator from Nebraska reports back favorably House bill 10819, relating to the Department of Agriculture.

Mr. ROBINSON. What is the request?

The VICE PRESIDENT. The bill will be placed on the calendar.

Mr. WILLIS obtained the floor.

Mr. ROBINSON. Mr. President, I announced earlier in the day that under the arrangement under which we were doing business here, unanimous consent would not be granted this evening for the consideration of other business than the pending bill, and I shall be compelled to persist in that attitude. If the report has already been received, of course I will not ask the Senate to rescind its action; but further requests for unanimous consent can not be granted.

The VICE PRESIDENT. The Chair perhaps did not make adequate announcement. The Chair will rule that if the Senator objects, the report can not be received.

Mr. ROBINSON. I object.

Mr. WILLIS. Mr. President—

Mr. NORRIS. Mr. President, will the Senator permit me? Was there objection to the reception of the report?

The VICE PRESIDENT. There was.

Mr. ROBINSON. Mr. President, I announce now, to save Senators inconvenience, that having pursued throughout the day the policy of objecting to unanimous-consent requests, no unanimous consent will be granted this evening. Senators can, of course, take the floor and submit their requests, but I shall object. Ample opportunity will be afforded, under the arrangement that has already been effected, to take up these matters during the morning hour to-morrow.

A number of Senators who were assured that this arrangement would be executed have left the Chamber, and in good faith I shall be compelled to object to the transaction of any business this evening by unanimous consent.

Mr. McNARY. Mr. President, a parliamentary inquiry.

The VICE PRESIDENT. The Senator from Oregon will state his inquiry.

Mr. McNARY. I have a very important bill on the calendar to standardize hampers and fruit baskets. I desire to know if a motion to take up that bill would be in order at this time?

Mr. FLETCHER. It would not, of course.

Mr. NORRIS. Why would it not?

Mr. FLETCHER. There is a motion pending now.

Mr. CURTIS. There is a motion pending.

Mr. McNARY. Mr. President, would such a motion be in order?

The VICE PRESIDENT. There is a motion pending.

PROHIBITION ENFORCEMENT.

Mr. WILLIS. Mr. President, I think I have the floor, if I have not lost it.

The VICE PRESIDENT. The Senator from Ohio is entitled to the floor.

Mr. WILLIS. I do not desire to submit any request. I desire to discuss a matter that has been discussed before the Senate this afternoon.

A short time ago the distinguished and able Senator from Kentucky [Mr. STANLEY] made some remarks in which he referred to an address that was made by Dr. Nicholas Murray Butler in Columbus, Ohio. That address is already in the Record, having been placed in the Record at the request of the junior Senator from Louisiana [Mr. BROUSSARD]. I have no request to make touching that. That address speaks for itself; but, just so that there can not be any doubt as to the attitude of the Bar Association of Ohio or the impression that was made by the address of Doctor Butler, I desire to read in my own time the resolution that was adopted there. It was a reiteration of the resolution previously adopted by the American Bar Association touching the matter of law enforcement.

Doctor Butler has made remarks indicating that the law could not be enforced. He quotes with approval such language as this:

Suppose that the State has exceeded its rights by prohibiting some harmless act, such as the consumption of alcohol. Is smuggling in such a case morally justifiable? I should say yes; the interference of the State in such matters is a mere impertinence.

And so on. He expresses that idea at different points in the address; and I suppose from that the Senator from Kentucky gains the impression, which he states, that Doctor Butler is one of the bright, shining lights of the dry cause. However that may be, after he got through with this address, in which an effort was made to make it appear that the law not only was not enforced but could not be enforced and ought not to be enforced, even though it was a part of the Constitution, this resolution was reiterated and readopted by the association which he addressed:

Reverence for law and enforcement of law depend mainly upon the ideals and customs of those who occupy the vantage ground of life in business and society. The people of the United States by solemn constitutional and statutory enactment have undertaken to suppress the age-long evil of the liquor traffic. When for the gratification of their appetites or the promotion of their interests, lawyers, bankers, great merchants, and manufacturers and social leaders, both men and women, disobey and scoff at this law or any other law, they are aiding the cause of anarchy and promoting mob violence, robbery, and homicide; they are sowing dragon's teeth and they need not be surprised when they find that no judicial or police authority can save our country or humanity from reaping the harvest.

That resolution was readopted and reaffirmed and reiterated and this resolution added:

Now, therefore, we—

And this was adopted after the great address by Doctor Butler, showing the impression that was made thereby—

Now, therefore, we, the State bar association, hereby reaffirm the above declaration and place ourselves unreservedly in favor of enforcement of law and opposed to anarchy and organized disobedience to law in any form and recognize our duties as officers of the courts of the State to use our influence in favor of the enforcement of the law and the encouragement of respect therefor.

I submit, therefore, Mr. President, that whatever impression the address may have made on my friend from Kentucky, it certainly did not impress the members of the bar association of my State, as evidenced by the fact that they immediately proceeded to adopt a resolution calling in question the attitude of Doctor Butler upon the matter.

Mr. STANLEY. Mr. President, I can not see the relevancy of the resolution adopted by the Ohio Bar Association to the address delivered before it. If the learned Senator from Ohio has read into the great address of the president of Columbia University any encouragement to law violation or any disregard for the Constitution of his country, he has found in the address something which I have failed to see.

Mr. WILLIS. Mr. President, will the Senator permit an interruption at that point?

Mr. STANLEY. Certainly.

Mr. WILLIS. I want the Senator's opinion upon this language. I think he was not on the floor of the Senate when I read it. Doctor Butler quoted with approval this language:

Suppose that the State has exceeded its rights by prohibiting some harmless act, such as the consumption of alcohol. Is smuggling in such a case morally justifiable? I should say yes; the interference of the State in such matters is a mere impertinence.

The question I propound to the Senator is this: This having been written into the Constitution, when a great leader of educational thought in the country like Doctor Butler quotes with approval language that says that it is not wrong to smuggle, to violate that law, does he not regard that as a pretty strong suggestion to the people that they can violate the laws with impunity?

Mr. STANLEY. I will answer that question by asking one. The Senator implies that in the present act interdicting the use of medicinal alcohol when brewed the State has interdicted a perfectly harmless thing. Of course, if the Senator believes that the use of alcohol is a perfectly harmless thing, then he has a perfect right to complain of the language of Doctor Butler.

Mr. WILLIS. That is not my language.

Mr. STANLEY. But if it is not a perfectly harmless thing, there is no analogy between the statement of Doctor Butler and the conclusions of the Senator from Ohio.

Mr. WILLIS. Mr. President, I did not desire at this late hour in the evening to engage in a discussion with my friend. What I am getting at is this: Without going into the merits of whether or not this should be the law, it is the law and it is the Constitution, and Doctor Butler made a speech the evident purpose of which was to create the impression that if you do not like the law you are justified in disobeying it. That did not make a hit with the bar association of my State, as evidenced by the resolution which I have just read.

Mr. CALDER. Mr. President, does the Senator from Ohio say that Doctor Butler urged that the law be violated?

Mr. WILLIS. I read to the Senate—I think the Senator was here—a sentence or two from the speech of Doctor Butler. All of his speech is in the Record. I have read it all. It is in the Record at page 3857 and following. That is the impression that I get from it. Let me read a sentence to the Senator. If the Senator from Kentucky will permit me, in talking about the majority that was given for the constitutional amendment, he says:

The majority is not always right, nor is its verdict final.

Of course, there is no objection to that.

The Old Testament records a leading case in which 450 prophets of Baal were worsted single handed by the prophet Elijah, who had God and right on his side.

Mr. STANLEY. Is there any objection to that?

Mr. WILLIS. The objection I make to it is the evident intent of Doctor Butler, and the only purpose he could have had in view, to say to the people he was addressing, and the people of the country generally, that God and the Prophet Elijah were on the side of the wets. That is what he intended to say, and I do not believe it. Does the Senator?

Mr. STANLEY. I never heard anything about Elijah's attitude on prohibition.

Mr. WILLIS. I never did, either, until I read it in Doctor Butler's speech.

Mr. STANLEY. I know this. Suppose a man should come into this community, into this Senate, into this town, and attend a wedding feast and turn water into wine; you would send him to jail. There was a fair-haired Nazarene who did that. I do not mean by that to intimate that the Savior was on the side of the wets. I mean to intimate that a man is sneered at if he rises here and says that no petty officer, no constable, no sleuth, shall be allowed to disregard the writ of habeas corpus, to disregard the fourth amendment to the Constitution of the United States, to disregard that right which is as instinctive as the love

of life and liberty in every scion of the Saxon race, outside of a few blinded by their own misguided zeal, for there are few in this country who do not believe that a man's home is his castle and that its sanctity should not be invaded by any except an officer of the law armed and authorized by the due processes of the law.

What I am urging is not an objection to the eighteenth amendment, not an objection to any law calculated to enforce it. I believe that the Constitution of the United States should be enforced from alpha to omega. No officer of the law, no one in Congress or on the bench, from the highest to the lowest, can call God to witness that he will obey that law, that he will preserve, protect, and defend it, and then fail to do it without blackening his soul with perjury.

I go further, and I say that you swear allegiance not to 1 amendment, but to 19 amendments; not to the amendments only, but to the organic law itself, which is the ark of the covenant, and I say that when men rise, as Nicholas Murray Butler has risen, as sacred ministers of God have risen, with their white vestments upon their shoulders, in the only temple that is more sacred than a temple of justice—a temple of the most high God—and abjure their countrymen to preserve the rights for which men have fought and bled and died in battle, for which saints have prayed upon bended knees, for which sages have thought and labored, then you rise with a cynical sneer and say, "If you are in favor of any part of the Constitution interfering with any of our little enforcement officers, or deputies, or subdeputies, or sleuths, then you are a wet; and if you quote the Bible, it is a sin. If you talk about Elijah or Christ, you are a pagan. Away with you, and away with the Constitution, and away with everything that does not suit our propaganda and our determination to do as we please with the people of this country, without regard to constitutional rights."

Judges upon the bench have been denounced for their findings as a "horde of scoundrels" by men obsessed with this idea. Nobody can escape. Ministers of the Gospel, judges upon the bench, great heads of papers, anybody who stands in the way of this propaganda must be damned and denounced, or, if not, must be the subject of cynical sneers and cheap wit.

I am as much in favor of enforcing the Constitution, yea, more so, than the Senator from Ohio. I have never talked about a cheap constitutional right as being a little thing to protect bootleggers. I have never stood in this Chamber and stepped upon the Constitution of my country, and sneered at things for which men have endured martyrdom. This right to protect the home, this right not to be put twice in jeopardy, this right not to be forced to testify against yourself, this immunity of person and property are sacred, not because they are in the Constitution, they were put in the Constitution because they were sacred.

Men have perished in lonely and loathsome dungeons, in a felon's cell "the fittest type of hell," because they denied to crown as God's anointed kings the right you would put in the hands of a petty sleuth. Men have gone undaunted to their bloody deaths at the hands of the headsman for the maintenance of rights the Senator from Ohio thinks are petty and contemptible things.

I am not fighting the eighteenth amendment or any law enforcing it. I am simply saying that you shall not, while I have a voice that I can raise, or a hand I can lift, or a syllable that I can utter, destroy the Constitution of the United States in order better to enforce a sumptuary regulation. Upon that rock I stand, and I thank God that the cry for constitutional liberty and constitutional rights, that that reaffirmance of the thing which Washington urged in the last great utterance of his life, those principles that were cardinal and that were the very confession of political faith to Jefferson and to Jackson and to Madison and to Lincoln, and which lately were reiterated by men like LODGE and BORAH, upon the other side of the Chamber—that those great principles shall not be abrogated, forgotten, or despised by anyone. I have never proposed to obliterate the eighteenth amendment. I have never said one word in favor of or against light wines and beers.

I do not care the rap of my finger whether you pass a law saying that alcohol brewed is not medicine but that alcohol fermented is medicine. I can not see the great importance of such finical distinctions as that. But if you write a law saying that a man shall go to jail because he takes brewed alcohol as a medicine instead of fermented alcohol as a medicine, I say enforce the law and leave to the common sense of the people to say whether they will amend it or not.

It is not a crime to ask for the repeal of any law. The protection and preservation of the institution of chattel slavery was once a part of the Constitution of the United States. Will the Senator say they were traitors who asked for an amendment to the Constitution in that regard? It is perfectly legiti-

mate to seek the amendment, the betterment, of any law; but I have never said, and I never shall say, on the floor of the Senate or elsewhere, one word which can by the most strained construction imply the slightest disrespect for the law or the slightest encouragement to those who would fail to enforce it.

Mr. WILLIS. Mr. President, my friend from Kentucky has totally misconceived my purpose. I have made no assault upon his views or upon anything he has said. I have indulged in no sneers, nor have I indulged in any cynical smile, so far as he is concerned.

I rose in my place to say that in my judgment an address by a great university president, the evident purpose and the inevitable meaning of which was to bring to the people of the United States the suggestion that if they did not like a law or did not like a part of the Constitution they were morally justified in breaking it, was unworthy of the great president who uttered it, and that it was immediately repudiated by the bar association to which he uttered it.

But since my friend has gone a little further into the question, I want to say that the matter to which I referred in Doctor Butler's address had no reference whatever to sleuths, about whom the Senator talks; that it had no reference whatever to any statute, but was quoting, in effect, the Constitution of the United States, the eighteenth amendment, which the Senator himself has said—and I knew it, of course, without his saying it—he stands by. However, in his address Doctor Butler, with the inevitable meaning that you must draw from it, if you read it and study it, leaves the impression that it is not immoral to break the eighteenth amendment, even though it was adopted by a good majority, since it is regarded by some people as tyrannical and unjust; and I take issue with that proposition. When it is written into the law or into the Constitution of the country there is no room for a difference of opinion any longer. So far as it is the law, it is the duty of every patriotic citizen to obey it. That is my position upon the question.

PRINTING OF FOREIGN POSTAGE AND REVENUE STAMPS (S. DOC. NO. 305).

Mr. CUMMINS. Mr. President, I present a conference report upon Senate bill 2703. I do not ask for the consideration of the report at this time.

The VICE PRESIDENT. The report will be printed and lie on the table.

The report is as follows:

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (S. 2703) to allow the printing and publishing of illustrations of foreign postage and revenue stamps from defaced plates, having met, after full and free conference have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendment of the House numbered 1, and agree to the same.

That the Senate recede from its disagreement to the amendment of the House numbered 2, and agree to the same with an amendment, as follows: In line 13, page 1, after the word "albums," strike out the semicolon and insert a period, and in lieu of the matter proposed insert the following: "Nothing in said sections shall be construed to forbid or prevent similar illustrations, in black and white only, in philatelic or historical articles, books, journals, albums, or the circulars of legitimate publishers or dealers in such stamps, books, journals, albums, or circulars, of such portion of the border of a stamp of the United States as may be necessary to show minor differences in the stamp so illustrated, but all such illustrations shall be at least four times as large as the portion of the original United States stamp so illustrated."; and the House agree to the same.

W. P. DILLINGHAM,
ALBERT B. CUMMINS,
JNO. K. SHIELDS,

Managers on the part of the Senate.

ANDREW J. VOLSTEAD,
W. D. BOIES,
HATTON W. SUMNERS,

Managers on the part of the House.

Mr. HARRISON. Mr. President, only a few moments ago the Senator from Arkansas [Mr. ROBINSON] served notice on all Senators that he would object to the presentation of a conference report or any other report from a committee.

The VICE PRESIDENT. No objection can be interposed to the presentation of a conference report.

Mr. CURTIS. I understand the Senator from Iowa does not ask for the consideration of the report, but it is simply the presentation of a privileged report. That can be done at any time.

Mr. HARRISON. I was merely calling attention to the fact—

Mr. ROBINSON. There is no request for the consideration of the report?

Mr. CUMMINS. Not at all. In fact, the report can not be considered before it is adopted by the House. It must first be acted upon there.

ORDER OF BUSINESS.

Mr. JONES of Washington. Mr. President, I take it there is nothing further to do, and under the unanimous-consent agreement—

Mr. JONES of New Mexico. Will the Senator from Washington yield for the presentation of a couple of reports from the Finance Committee?

Mr. JONES of Washington. I understand the Senator from Arkansas objects to the presentation of reports or bills, or anything of that kind. I myself have no objection.

Mr. FLETCHER. That can be done to-morrow morning.

Mr. JONES of Washington. I have no objection myself.

Mr. NORRIS. I will object unless the same privilege is accorded to me to make a report.

Mr. ROBINSON. Having objected earlier to-day and announced repeatedly that unanimous consent would not be granted, and having effected an arrangement to take up this character of business during the morning hour on to-morrow, in good faith I do not think Senators should present any requests, and I shall object. If it is necessary to stand here and object over and over, I shall be compelled to do so. I do not want to discriminate between Senators.

The VICE PRESIDENT. There is objection to the request of the Senator from New Mexico.

Mr. JONES of New Mexico. Mr. President, I ask unanimous consent to present and have inserted in the RECORD some petitions which I have received. They are not bills or reports of committees, but merely petitions, and I merely want to get something printed in the RECORD which, it seems to me, is a matter of public interest.

Mr. ROBINSON. I think the practice has been to permit matters to be printed in the RECORD, and I shall not make an objection to the request.

The VICE PRESIDENT. Without objection, the matter will be printed in the RECORD.

Mr. JONES of New Mexico. I would just like to define in a very brief way what I would like to have put into the RECORD. We all have been familiar with the occurrences regarding the strike of last August, and I have received petitions from the State of New Mexico signed by probably a thousand people.

ADJOURNMENT.

The VICE PRESIDENT. Under the unanimous-consent agreement, the hour of 6 o'clock having arrived, the Chair declares the Senate stands adjourned until 11 o'clock to-morrow.

Thereupon (at 6 o'clock p. m.) the Senate, in accordance with the unanimous-consent agreement, adjourned until to-morrow, Saturday, February 24, 1923, at 11 o'clock a. m.

CONFIRMATIONS.

Executive nominations confirmed by the Senate February 23 (legislative day of February 19), 1923.

COAST AND GEODETIC SURVEY.

James Francis Downey, jr., to be aid (with relative rank of ensign in the Navy).

POSTMASTERS.

MISSOURI.

David W. Puthuff, Bollivar.
Everett Drysdale, Butler.
George L. Pemberton, Charleston.
John R. Edwards, Dawn.

MONTANA.

Roy W. Broman, Ismay.
Joseph Brooks, Livingston.
Clyde C. Richey, Richey.

OHIO.

Charles F. Decker, Vermillion.

OKLAHOMA.

Elmer D. Rook, Sayre.

PENNSYLVANIA.

Whitfield Pritchard, Bangor.

SOUTH CAROLINA.

Benjamin F. Foreman, Allendale.

UTAH.

John F. Hunter, Helper.

WEST VIRGINIA.

Fred A. Smith, Northfork.

WISCONSIN.

Henry J. S. Hanson, Bayfield.

George C. Dobbs, Conover.

Frederick N. Lochemes, St. Francis.

HOUSE OF REPRESENTATIVES.

FRIDAY, February 23, 1923.

The House met at 12 o'clock noon and was called to order by Mr. CAMPBELL of Kansas as Speaker pro tempore.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

Our Lord and our God, apart from Thee life is a weary search. All our deficiencies are met in Thee, for Thou art our wisdom, our righteousness, and our redemption. Conscious of our dependence, O may a childlike humility clothe us as with a garment. This is the way by which comes the great inflow of Thy cleansing love. So inspire us that we shall be the lovers of Thy word, the interpreters of Thy truth, and the messengers of Thy wisdom. Guard Thou our lips, keep Thou our hearts, and bless us with Thy abiding peace as we travel on our homeward way. In the holy name of Jesus we pray. Amen.

The Journal of the proceedings of yesterday was read and approved.

EXTENSION OF REMARKS.

Mr. LAYTON. Mr. Speaker—

The SPEAKER pro tempore. For what purpose does the gentleman from Delaware rise?

Mr. LAYTON. I rise for the purpose of asking unanimous consent to have printed in the back part of the RECORD a speech I have prepared on the subject of bureaucracy, the same to be printed in 8-point type.

The SPEAKER pro tempore. The gentleman from Delaware asks unanimous consent to extend his remarks in the RECORD on bureaucracy. Is there objection? [After a pause.] The Chair hears none.

DISCHARGE OF A COMMITTEE.

Mr. ROUSE. Mr. Speaker—

The SPEAKER pro tempore. For what purpose does the gentleman rise?

Mr. ROUSE. Mr. Speaker, I move to discharge the Committee on Post Offices and Post Roads from the further consideration of House Resolution 492, a copy of which I will send to the Clerk's desk.

Mr. MONDELL. Mr. Speaker, that motion is not in order.

Mr. ROUSE. It is a privileged motion.

The SPEAKER pro tempore. Upon what question of privilege does the gentleman from Kentucky call the resolution up?

Mr. ROUSE. It asks information from the Postmaster General relative to the filling of vacancies in post offices.

Mr. MONDELL. Mr. Speaker, I withdraw my point of order. It is, I think, a privileged resolution.

The SPEAKER pro tempore. The gentleman from Kentucky moves to discharge the committee from the consideration of the resolution, which the Clerk will report.

The Clerk began the reading of the resolution.

Mr. STAFFORD. Mr. Speaker, I wish to reserve a point of order. I have not heard it to see whether it is privileged or not.

Mr. BLANTON. I make the point of order that the reservation comes too late.

The SPEAKER pro tempore. The Clerk will read.

Mr. SANDERS of Indiana. It has not been read yet, and the gentleman can not make the point of order until it is reported. The Clerk read as follows:

House Resolution 492.

Resolved, That the Postmaster General be, and he is hereby, directed to inform the House of Representatives—

(1) Of the post offices in which a vacancy in the postmastership thereof has occurred since May 10, 1921, for which no certified eligible or list of eligibles for appointment as regular postmaster therein, ob-